

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C.20554**

In the Matter of)	CC Docket No. 02-06
)	
)	471 Application No. 184985
Request for Review)	Funding Request No. 383220
)	
)	471 Application No. 180904
CONNECT2 INTERNET NETWORKS, INC.)	Funding Request Nos. 368499
of Decision of Universal Service)	368506
Administrator)	
)	471 Application No. 180438
		Funding Request Nos. 388417
		388426
		388432
		388489
		471 Application No. 180391
		Funding Request No. 369750

CONSOLIDATED REQUEST FOR REVIEW

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**BEFORE THE
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In the Matter of)	CC Docket No. 02-6
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Request for Review by)	471 Application No. 184985
)	Funding Request No. 383220
CONNECT2 INTERNET NETWORKS, INC.)	
)	471 Application No. 180904
)	Funding Request Nos. 368499
of Decisions of Universal Service)	368509
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CONSOLIDATED REQUEST FOR REVIEW

Connect2 Internet Networks, Inc. ("Connect2"), by counsel and pursuant to Sections 54.719 and 54.721 of the Commission's Rules, hereby requests review of four "Notification of Improperly Disbursed Funds Letters" dated April 20, 2006 ("Notifications") and issued by the Universal Service Administrative Company ("USAC") to Connect2 with respect to the above captioned applications and funding requests for Funding Year 2000 ("FY 2000"). The Notifications concern disbursements made by USAC pursuant to the Schools and Libraries support program (the "E-Rate Program") at the following schools: AHRC Elementary School at Brooklyn ("AHRC"); Al-Noor School; Rice High School; and Robert Trent Academy Charter School. The Commission should grant review and rescind the Notifications because:

(a) these matters already have been compromised in the context of a criminal prosecution and

plea bargain; (b) USAC has failed to provide any of the documentation that purportedly supports the Notifications; and (c) the amounts sought by USAC are de minimis and incorrectly calculated in any event.

SUMMARY

On April 20, 2006, USAC sent four Notifications to Connect2, c/o John Angelides, 26 Bay Street, Staten Island, NY 10301. Copies of the Notifications are attached as Exhibit 1.¹ Each of the Notifications states that “after a thorough investigation,” USAC determined that certain internet access services for which Connect2 received funds in FY 2000 actually were provided to and used by the school “from June 2001 to June 2002.” See, e.g. AHRC Notification at 5. USAC contends that “only one month of service was provided within the funding year,” and now seeks to recover from Connect2 the sum of \$18,711, representing the portion of the authorized funds that purportedly was “disbursed for services delivered outside of the funding year” at each school.²

In addition to the funds for internet access services, the Notification for Al Noor School seeks to recover \$6,240 from Connect2 based on Connect2's alleged “request of 12/10/2002” to reduce its funding commitment by that amount. See Al-Noor Notification at 6. [Connect2 is unaware of any such request.] Finally, the Notification for Rice High School also seeks to recover \$4,450 from Connect2 based on an allegedly “unauthorized service substitution.” See Rice High School Notification at 6. Specifically, USAC states that “after a thorough

¹ As set forth herein, Mr. Angelides had been debarred in December 2003 from all “activities associated with or related to the schools and libraries support mechanism,” including “consulting with, assisting or advising applicants or service providers regarding the schools and libraries support mechanism.” See, Notice of Debarment, DA 03-4088, 18 FCC Rcd. 26722 (Dec. 23, 2003) at 1-2 (“Angelides Debarment Notice”).

² The Notification for Al Noor School actually includes three separate FRNs for internet access services, and USAC seeks to recover \$18,711 on each FRN based on the claim that only one month of the services provided fell within FY 2000.

investigation,” it determined based on documentation provided by Connect2 that “an Instant Internet Box” for which funding had been provided to Connect2 had been “replaced with a registered Class C of IP addresses.” Id. Consequently, USAC seeks to recover the cost of the Instant Internet Box.

The Notifications at issue here constitute administrative overkill by USAC. Connect2's involvement in the E-Rate program during FY 2000 already has been the subject of a felony criminal prosecution and plea bargain. In fact, Connect2's FY 2000 E-Rate activities at AHRC and the Al-Noor School were specifically identified in the criminal complaint. The complaint also generally referred to dozens of other schools at which Connect2 was involved as the E-Rate service provider in FY 2000, including Rice High School and Robert Treat Academy. The criminal proceedings, in which USAC and the FCC were actively involved, were resolved through a plea agreement with Connect2's President, John Angelides, in May 2003.

Moreover, USAC has not provided Connect2 with any of the documentation referenced in the Notifications. Connect2 repeatedly has informed the Commission and USAC that all of Connect2's records were seized by the FBI in 2002 in connection with the criminal proceedings. Consequently, Connect2 has requested that USAC provide it with access to any records relating to each commitment adjustment letter or other reimbursement demand that it has received from USAC. However, USAC has never responded to those requests. In addition, Connect2's E-Rate activities in FY 2000 at AHRC already are the subject of a recovery action initiated by USAC in 2004, seeking repayment of a total of \$305,972.10 from Connect2, and Connect2 has a request for review pending before the Commission with respect to those matters. See Consolidated Request for Review and Petition for Waiver, 471

Application Nos. 184985 et seq., filed by Connect2 on Dec. 27, 2004 ("Consolidated AHRC Request for Review").

Finally, the amounts at issue here are de minimis and have been improperly calculated by USAC in any event. The Commission has directed USAC not to pursue recovery actions where the cost of pursuing recovery will exceed the amount recovered. That is clearly the case here.

ARGUMENT

I. Connect2's Involvement In The E-Rate Program During FY 2000 Already Has Been The Subject Of A Felony Criminal Prosecution And A Plea Agreement.

The Notifications at issue here concern Connect2's activities with respect the E-Rate Program at each of the four schools during FY 2000. The Notifications are part of an administrative process developed by USAC and the Commission to identify and recover, pursuant to the Federal Debt Collection Improvement Act, funds disbursed in violation of Section 254 of the Communications Act. See Schools and Libraries Universal Support Mechanism, Fifth Report and Order, 19 FCC Rcd. 15808 (2004), at ¶15 ("Schools and Libraries Fifth R&O"). However, the Commission's rules expressly state that claims "in regard to which there is an indication of fraud, the presentation of a false claim, or a misrepresentation on the part of the debtor...shall be referred to the Department of Justice ("DOJ") as only the DOJ has authority to compromise, suspend or terminate collection action on such claims." See 47 C.F.R. §1.1902(c) (emphasis added). DOJ (with active assistance and participation by USAC and the Commission) already has investigated, prosecuted and compromised claims of fraud regarding Connect2's E-Rate activities during FY 2000 at the schools that are the subject of the Notifications here.

On or about December 17, 2002, Connect2's President, John Angelides, was arrested by agents of the FBI pursuant to an eight-count criminal complaint which alleged, among other things, that: (a) Mr. Angelides, acting on behalf of Connect2, had engaged in a scheme to defraud the E-Rate Program in connection with Connect2's provision of equipment and services to numerous schools in the New York/New Jersey area; and (b) "the Government actually paid C2I more than \$9 million in E-Rate monies for goods and services that C2I provided to approximately 36 schools" in the New York/New Jersey area. See United States of America v. John Angelides, et al., Complaint, sworn to by FBI Special Agent Courtney Foster on Dec. 17, 2002. at ¶¶17-18. A copy of the Complaint is annexed as Exhibit 2.³

The Complaint expressly states that USAC provided the FBI and DOJ with "documents and materials" and other information about Connect2's activities and involvement in the E-Rate Program. See, e.g. Complaint at ¶16 ("I have spoken with an attorney employed by a private, not-for-profit company called the Universal Service Administration Company ("USAC"), and have reviewed documents and materials provided to me by that attorney and her staff") and ¶18 ("According to USAC records...the Government actually paid C2I more than \$9 million in E-Rate monies for goods and services that C2I provided to approximately 36 schools."). In addition to USAC, the Commission's Office of Inspector General ("OIG") also participated actively in the prosecution efforts. See Office of the Inspector General, Semiannual Report to Congress, October 1, 2002 – March 31, 2003 ("2003 OIG Report") at 7 (discussing audit support provided by OIG auditors for DOJ regarding an "ongoing criminal investigation" involving a service provider that "received more than \$9 million in E-Rate Funds for goods

³ The Complaint also provides several examples of Connect2's activities at specific schools including AHRC and Al-Noor School, each of which is the subject of one of the Notifications at issue here. See e.g. Complaint at ¶¶ 5(e), 10, 22, 41, 68.

and services provided to approximately 36 schools” between July 1998 and June 2001). When Mr. Angelides was arrested, all of Connect2’s records regarding its dealings with USAC, the schools (including the schools at issue here) and the E-Rate Program were seized by the FBI.

On May 22, 2003, Mr. Angelides pleaded guilty to Count 1 of the Felony Information against him and admitted to the Forfeiture Allegations in that Information. Among other things, Count 1 of the Information states that “from July 1998 to the present, Connect2 was the vendor of goods and services for more than 200 schools participating in the E-Rate Program” and that Mr. Angelides had devised and carried out a “fraudulent scheme” by which Connect2 obtained E-Rate funds to provide goods and services to those schools. A copy of the Information is annexed as Exhibit 3. The Forfeiture Allegations of the Information stated that Mr. Angelides was to forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(c) and other provisions “a sum of money equal to approximately \$290,000...representing the amount proceeds obtained as a result of the offense.” Information at 10-11.

The written plea agreement with the DOJ, acting through the United States Attorney for the Southern District of New York, stated among other things that “neither the defendant nor Connect2 Internet Networks, Inc. will be further prosecuted criminally by this Office...for participating, from in or about the Fall of 1999 through in or about October 2002, in a scheme to defraud the Federal Government’s E-Rate school and library funding program through the submission of false, fraudulent and misleading claims and statements, as charged in the Information.” A copy of the written plea agreement is annexed as Exhibit 4. When the plea agreement was entered into, there were no outstanding demands from USAC or the Commission for further payment or recovery from Connect2 or Mr. Angelides.

On December 23, 2003, Mr. Angelides was debarred from the schools and libraries universal service support mechanism, and all activities “associated with or related to” that program, for a period of three years. See Angelides Debarment Notice, 18 FCC Rcd. 26722 (2003). The basis for the debarment was the guilty plea entered by Mr. Angelides in the criminal proceedings described above. See Notice of Suspension and Proposed Debarment, 18 FCC Rcd. 16672 (2003). Mr. Angelides did not contest his debarment.

There is no dispute that both USAC and the Commission assisted and cooperated in the criminal prosecution, providing DOJ with access to documents, materials, audit services and other information regarding Connect2. See e.g., Complaint at ¶¶16, 18; 2003 OIG Report at 7. In return for the guilty plea and the agreement to pay \$290,000, DOJ agreed that it would not further prosecute Angelides or Connect2 “for participating, from in or about the Fall 1999 through in or about October 2002, in a scheme to defraud the Federal Government's E-Rate school and library funding program through the submission of false, fraudulent and misleading claims and statements....” Plea Agreement at 2. Given the mandatory referral language of §1.1902(c) of the Commission's Rules, the direct involvement of USAC and the Commission with DOJ in bringing the complaint, and the compromise already effected by DOJ in the plea agreement and civil forfeiture, USAC and the Commission cannot now revisit the terms of the compromise with DOJ by seeking recovery of additional funds from Connect2 for FY 2000 at schools that were the subject of the criminal complaint.

II. USAC Has Failed to Provide Any Of The Documentation Referenced In The Notifications.

USAC continues to deprive Connect2 of due process by failing to provide Connect2 with copies of the documents that purportedly support USAC's issuance of the Notifications. The Notification letters reference various documents purportedly provided by Connect2 which USAC contends provide support for USAC's recovery demands. For example, the portion of each Notification Letter concerning internet access services states that Connect2 "provided documentation showing a potential rule violation," specifically that the internet access services "were provided from June 2001 to June 2002," but only one month of that period falls within FY 2000. In addition, the Notification for Al Noor School seeks recovery of \$6,240 because USAC reduced the funding commitment by that amount "pursuant to your request of 12/10/2002." Connect2 is unaware of such a request. The Notification for Rice High School states that documentation provided by Connect2 "showed that an unauthorized service substitution had taken place." All of the Notification letters state that they have been issued after a "thorough investigation" by USAC. However, none of the documentation referenced in the Notifications has been provided to Connect2 and no information has been provided concerning the "investigation" purportedly conducted by USAC.

Both USAC and the Commission have been aware since at least 2004 that Connect2's files had been seized by the FBI in 2002 in connection with the criminal proceedings. See, e.g., Consolidated AHRC Request for Review, filed Dec. 27, 2004, at 4. Connect2 repeatedly has requested the opportunity to review the files and other materials that have formed the basis for various recovery actions initiated by USAC since 2004. See, e.g., Letter dated June 22, 2005 from counsel for Connect2 to USAC at 3 (requesting USAC to advise "whether, when

and where the relevant records might be made available for inspection and copying by Connect2"). Even where USAC has expressly informed Connect2 that it would be given an opportunity to inspect and copy the relevant records, and Connect2 sought to avail itself of that opportunity, USAC has failed to provide Connect2 with the relevant records, despite repeated requests from Connect2. See Letter dated May 12, 2005 from Counsel for Connect2 to USAC at 3-4. Copies of the May 12 and June 22, 2005 letters are attached as Exhibit 5 hereto. However, USAC has never responded to those requests. Nevertheless, USAC continues to make determinations based on information and materials that it has not provided to Connect2, and to impose upon Connect2 deadlines to seek review of those decisions without ever disclosing to Connect2 the basis or underlying documentation supporting those decisions. Without knowing what documentation is being referred to in the Notifications, Connect2 is at a loss to formulate a substantive response to them.

III. The Amounts Involved Are De Minimis And Incorrectly Calculated

The Commission has concluded that "it does not serve the public interest to seek to recover funds associated with statutory or rule violations when the administrative costs of seeking such recovery outweigh the dollars subject to recovery." See Schools and Libraries Fifth R&O at ¶35. With respect to the funding requests at issue here, the amounts at issue are de minimis and the administrative costs of pursuing to their ultimate conclusion the recovery efforts on those funding requests are likely to exceed the amount at issue. The Commission has directed USAC "not to seek recovery of such de minimis amounts" under these circumstances and it should exercise its discretion to terminate collection activity with respect to these matters. Id.

At each of the schools, USAC seeks to recover \$18,711 for internet access services that USAC contends were provided by Connect2 and used by the school outside of FY 2000 (except Al Noor, where USAC seeks to recover this amount under each of three separate FRNs). With respect to AHRC, this amount represents less than 6 percent of the total approved funding request.⁴ With respect to the Al Noor School, the total amount sought under the three FRNs at issue regarding “internet access” is \$56,133, or less than 7% of the total authorized funding request (\$851,000) for FY 2000.⁵ Moreover, there is no dispute that the schools received the services -- USAC simply contends that all but one month of those services were provided to and used by the schools during FY 2001 rather than FY 2000.⁶

In any event, USAC appears to have calculated the recovery amounts improperly by failing to account for the month of service purportedly provided during FY 2000. USAC contends that “the pre-discount cost of the service is \$20,790” and the “applicant’s discount rate is 90%,” so “\$18,711.00 was disbursed for services delivered outside of the funding year.” However, that calculation ignores USAC’s own determination that at least one month

⁴ See Criminal Complaint, Exhibit 2 hereto, at ¶41(c). Moreover, USAC already has initiated efforts to recover \$305,972.10 in FY 2000 funds from Connect2 for AHRC. On or about June 16, 2004, USAC sent a “Repayment/Offset Demand Letter” to Connect2, seeking to recover the sum of \$305,972.10 from Connect2 for the Funding Year ended June 30, 2001. See Exhibit 6 hereto. The Demand Letter also indicated that USAC previously had sent Connect2 “a Commitment Adjustment Letter” informing Connect2 of “the need to recover” those funds. However, Connect2 has no record of receiving any such Commitment Adjustment Letter and has appealed that Demand Letter to the Commission. See Consolidated AHRC Request, filed Dec. 27, 2004.

⁵ See Criminal Complaint, Exhibit 2 hereto, at ¶22(c). Connect2 cannot determine the relative percentage of the overall FY 2000 funding request authorized at Rice High School and Robert Treat Academy that is represented by the internet access funds which USAC seeks to recover because Connect2 does not have records of those requests.

⁶ The Notifications are silent as to whether Connect2 received any funds during FY 2001 from USAC for the internet access services purportedly provided during that period. Likewise, the Notifications make no mention of whether the internet service provider at issue required a one-year contractual commitment in order to initiate service, which was a common practice among internet service providers.

of service did occur within the relevant funding year. Thus, even if USAC is correct, the amount to be recovered must be reduced to account for the month of service within FY 2000.

Finally, the Notification for Rice High School seeks recovery of \$4,450.50 based on USAC's claim that Connect2 had provided documentation showing a potential rule violation" in the form of "an unauthorized service substitution." See Rice High School Notification at 6. Specifically, USAC contends that an "Instant Internet Box" had been authorized, but "at the time of installation," that product "was replaced with a registered Class C of IP addresses."⁷ USAC determined that \$4,450.50 had been disbursed for the Instant Internet Box and it seeks to recover that amount from Connect2. However, the Notification makes no mention of: (a) the circumstances under which the alleged substitution occurred (for example, problems with delivery of Internet Boxes by the manufacturer); (b) the reasonableness of the substituted product or service (whether the substitution facilitated or hindered internet access by the school); or (c) the cost of the registered Class C of IP addresses.

The Commission has acknowledged that in some cases, service substitutions may be necessary where the original funding request becomes "impractical or even impossible to fulfill." See Schools and Libraries Fifth R&O at ¶23. In those cases where the substitution allows the school or library to meet its needs more effectively and efficiently, "the appropriate amount to recover is the difference between what was originally approved for disbursement and what would have been approved, had the entity requested and obtained authorization for a service substitution." Id. Here, USAC simply has failed to make the findings necessary to warrant recovery of the full amount disbursed for the Instant Internet Box in light of the substitution of the Class C of IP addresses.

⁷ A registered Class C of IP addresses consists of 255 IP addresses.

CONCLUSION

The Notification Letters issued by USAC concern matters that already have been the subject of a felony criminal prosecution and plea bargain, which included the payment of a civil forfeiture. USAC and the Commission participated in that prosecution and cannot now revisit the resolution of those matters through the Notifications Letters. At a minimum, due process requires USAC to provide Connect2 with the documentation referenced in the Notifications. In any event, the amounts at issue here are de minimis and will be far exceeded by the costs incurred in pursuing the recovery efforts.

Date: June 19, 2006

Respectfully submitted,

NELSON MULLINS RILEY & SCARBOROUGH LLP

By: 

Timothy J. Fitzgibbon, Esquire

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Counsel for Connect2

Internet Networks, Inc.

List of Exhibits

1. Notification of Improperly Disbursed Funds Letters dated April 20, 2006, issued to AHRC Elementary School at Brooklyn, Al-Noor School, Rice High School and Robert Trent Academy Charter School
2. United States of America v. John Angelides, et al., Complaint
3. United States of America v. John Angelides, et al., Information
4. United States v. John Angelides, et al., Plea Agreement
5. May 12, 2005 and June 22, 2005 Letters of Timothy J. Fitzgibbon to USAC
6. Repayment/Offset Demand Letter, June 16, 2004

EXHIBIT 1



**Universal Service Administrative Company
Schools & Libraries Division**

**Notification of Improperly Disbursed Funds Letter
Funding Year 2000: 7/01/2000 - 6/30/2001**

April 20, 2006

**John Angelides
Connect2 Internet Networks Inc.
26 Bay Street
Staten Island, NY 10301**

**Re: SPIN: 143007419
Form 471 Application Number: 184985
Funding Year: 2000
FCC Registration Number:
Applicant Name: AHRC ELEMENTARY SCHOOL AT BROOKLYN
Billed Entity Number: 208871
Applicant Contact Person: Alan Berger**

Our routine review of Schools and Libraries Program funding commitments has revealed certain applications where funds were disbursed in violation of program rules.

In order to be sure that no funds are used in violation of program rules, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) must now recover these improper disbursements. The purpose of this letter is to inform you of the recoveries as required by program rules, and to give you an opportunity to appeal this decision. USAC has determined the service provider is responsible for all or some of the program rule violations. Therefore, the service provider is responsible to repay all or some of the funds disbursed in error.

This is NOT a bill. The next step in the recovery of improperly disbursed funds process is for SLD to issue you a Demand Payment Letter. The balance of the debt will be due within 30 days of the Demand Payment Letter. Failure to pay the debt within 30 days from the date of the Demand Payment Letter could result in interest, late payment fees, administrative charges and implementation of the "Red Light Rule." Please see the "Informational Notice to All Universal Service Fund Contributors, Beneficiaries, and Service Providers" at <http://www.universalservice.org/fund-administration/tools/latest-news.aspx#083104> for more information regarding the consequences of not paying the debt in a timely manner.

TO APPEAL THIS DECISION

If you wish to appeal the Notification of Improperly Disbursed Funds decision indicated in this letter, your appeal must be received or postmarked within 60 days of the date of this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. In your letter of appeal:

1. Include the name, address, telephone number, fax number, and e-mail address (if available) for the person who can most readily discuss this appeal with us.
2. State outright that your letter is an appeal. Identify the date of the Notification of Improperly Disbursed Funds Letter and the Funding Request Numbers you are appealing. Your letter of appeal must also include the applicant name, the Form 471 Application Number, Billed Entity Number, and the FCC Registration Number from the top of your letter.
3. When explaining your appeal, copy the language or text from the Notification of Improperly Disbursed Funds Letter that is the subject of your appeal to allow the SLD to more readily understand your appeal and respond appropriately. Please keep your letter specific and brief, and provide documentation to support your appeal. Be sure to keep copies of your correspondence and documentation.
4. Provide an authorized signature on your letter of appeal.

If you are submitting your appeal electronically, please send your appeal to appeals@sl.universalservice.org using the organization's e-mail. If you are submitting your appeal on paper, please send your appeal to: Letter of Appeal, Schools and Libraries Division, Dept. 125 - Correspondence Unit, 100 South Jefferson Road, Whippany, NJ 07981. Additional options for filing an appeal can be found in the "Appeals Procedure" posted in the Reference Area of the SLD section of the USAC web site or by calling the Client Service Bureau at 1-888-203-8100. We strongly recommend that you use the electronic appeals option.

While we encourage you to resolve your appeal with the SLD first, you have the option of filing an appeal directly with the Federal Communications Commission (FCC). You should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. Your appeal must be received or postmarked within 60 days of the date of this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. If you are submitting your appeal via United States Postal Service, send to: FCC, Office of the Secretary, 445 12th Street SW, Washington, DC 20554. Further information and options for filing an appeal directly with the FCC can be found in the "Appeals Procedure" posted in the Reference Area of the SLD section of the USAC web site or by calling the Client Service Bureau. We strongly recommend that you use the electronic filing options.

FUNDING DISBURSEMENT REPORT

On the pages following this letter, we have provided a Funding Disbursement Report (Report) for the Form 471 application cited above. The enclosed Report includes the Funding Request Number(s) from the application for which recovery is necessary. Immediately preceding the Report, you will find a guide that defines each line of the Report. The SLD is also sending this information to the applicant for informational purposes. If USAC has determined the applicant is also responsible for any rule violation on these Funding Request Numbers, a separate letter will be sent to the applicant detailing the necessary applicant action. The Report explains the exact amount the service provider is responsible for repaying.

Schools and Libraries Division
Universal Services Administrative Company

cc: Alan Berger
AHRC ELEMENTARY SCHOOL AT BROOKLYN

A GUIDE TO THE FUNDING DISBURSEMENT REPORT

Attached to this letter will be a report for each funding request from the application cited at the top of this letter for which a Recovery of Improperly Disbursed Funds is required. We are providing the following definitions.

FUNDING REQUEST NUMBER (FRN): A Funding Request Number is assigned by the SLD to each individual request in a Form 471 once an application has been processed. This number is used to report to applicants and service providers the status of individual discount funding requests submitted on a Form 471.

CONTRACT NUMBER: The number of the contract between the applicant and the service provider. This will be present only if a contract number was provided on the Form 471.

SERVICES ORDERED: The type of service ordered by the applicant, as shown on Form 471.

BILLING ACCOUNT NUMBER: The account number that you established with the applicant for billing purposes. This will be present only if a Billing Account Number was provided on the Form 471.

FUNDING COMMITMENT: This represents the amount of funding that SLD had reserved to reimburse for the approved discounts for this service for this funding year.

FUNDS DISBURSED TO DATE: This represents the total funds that have been paid to you for this FRN as of the date of this letter.

FUNDS TO BE RECOVERED FROM SERVICE PROVIDER: This represents the amount of Improperly Funds Disbursed to Date for which the service provider has been determined to be primarily responsible. These improperly disbursed funds will have to be recovered from the service provider.

DISBURSED FUNDS RECOVERY EXPLANATION: This entry provides the reason the adjustment was made.

**Funding Disbursement Report
for Form 471 Application Number: 184985**

Funding Request Number:	383220
Contract Number:	MTM
Services Ordered:	INTERNET ACCESS
Billing Account Number:	
Funding Commitment:	\$20,412.00
Funds Disbursed to Date:	\$20,412.00
Funds to be Recovered from Service Provider:	\$18,711.00
Disbursed Funds Recovery Explanation:	

After a thorough investigation, it has been determined that funds were improperly disbursed on this funding request. Connect2 Internet Networks Inc. provided documentation showing a potential rule violation. The documentation provided showed that services were provided from June 2001 to June 2002. The Funding Year for this application is from July 2000 - June 2001. Only one month of service was provided within the funding year. The pre-discount cost of the service is \$20,790.000. The applicant's discount rate is 90%. Therefore, \$18,711.00 was disbursed for services delivered outside of the funding year. FCC rules require applicants to use recurring services within the relevant funding year, and to implement non-recurring services by the applicable deadline established by the Commission. While these requirements are placed on applicants, when service providers seek support, via a SPI, for services provided outside of the funding year, they violate these rules. Accordingly, the SLD is seeking recovery of the \$18,711.00 that was improperly disbursed for services delivered outside of the funding year from the service provider.



Universal Service Administrative Company
Schools & Libraries Division

Notification of Improperly Disbursed Funds Letter
Funding Year 2000: 7/01/2000 - 6/30/2001

April 20, 2006

John Angelides
Connect2 Internet Networks Inc.
26 Bay Street
Staten Island, NY 10301 1241

Re: SPIN: 143007419
Form 471 Application Number: 180438
Funding Year: 2000
FCC Registration Number:
Applicant Name: AL-NOOR SCHOOL
Billed Entity Number: 12092
Applicant Contact Person: Nidal Abuasi

Our routine review of Schools and Libraries Program funding commitments has revealed certain applications where funds were disbursed in violation of program rules.

In order to be sure that no funds are used in violation of program rules, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) must now recover these improper disbursements. The purpose of this letter is to inform you of the recoveries as required by program rules, and to give you an opportunity to appeal this decision. USAC has determined the service provider is responsible for all or some of the program rule violations. Therefore, the service provider is responsible to repay all or some of the funds disbursed in error.

This is NOT a bill. The next step in the recovery of improperly disbursed funds process is for SLD to issue you a Demand Payment Letter. The balance of the debt will be due within 30 days of the Demand Payment Letter. Failure to pay the debt within 30 days from the date of the Demand Payment Letter could result in interest, late payment fees, administrative charges and implementation of the "Red Light Rule." Please see the "Informational Notice to All Universal Service Fund Contributors, Beneficiaries, and Service Providers" at <http://www.universalservice.org/fund-administration/tools/latest-news.aspx#083104> for more information regarding the consequences of not paying the debt in a timely manner.

TO APPEAL THIS DECISION

If you wish to appeal the Notification of Improperly Disbursed Funds decision indicated in this letter, your appeal must be received or postmarked within 60 days of the date of this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. In your letter of appeal:

1. Include the name, address, telephone number, fax number, and e-mail address (if available) for the person who can most readily discuss this appeal with us.
2. State outright that your letter is an appeal. Identify the date of the Notification of Improperly Disbursed Funds Letter and the Funding Request Numbers you are appealing. Your letter of appeal must also include the applicant name, the Form 471 Application Number, Billed Entity Number, and the FCC Registration Number from the top of your letter.
3. When explaining your appeal, copy the language or text from the Notification of Improperly Disbursed Funds Letter that is the subject of your appeal to allow the SLD to more readily understand your appeal and respond appropriately. Please keep your letter specific and brief, and provide documentation to support your appeal. Be sure to keep copies of your correspondence and documentation.
4. Provide an authorized signature on your letter of appeal.

If you are submitting your appeal electronically, please send your appeal to appeals@sl.universalservice.org using the organization's e-mail. If you are submitting your appeal on paper, please send your appeal to: Letter of Appeal, Schools and Libraries Division, Dept. 125 - Correspondence Unit, 100 South Jefferson Road, Whippany, NJ 07981. Additional options for filing an appeal can be found in the "Appeals Procedure" posted in the Reference Area of the SLD section of the USAC web site or by calling the Client Service Bureau at 1-888-203-8100. We strongly recommend that you use the electronic appeals option.

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FUNDING DISBURSEMENT REPORT

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Schools and Libraries Division
Universal Services Administrative Company

cc: Nidal Abuasi
AL-NOOR SCHOOL

A GUIDE TO THE FUNDING DISBURSEMENT REPORT

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SERVICES ORDERED: The type of service ordered by the applicant, as shown on Form 471.

BILLING ACCOUNT NUMBER: The account number that you established with the applicant for billing purposes. This will be present only if a Billing Account Number was provided on the Form 471.

FUNDING COMMITMENT: This represents the amount of funding that SLD had reserved to reimburse for the approved discounts for this service for this funding year.

FUNDS DISBURSED TO DATE: This represents the total funds that have been paid to you for this FRN as of the date of this letter.

FUNDS TO BE RECOVERED FROM SERVICE PROVIDER: This represents the amount of Improperly Funds Disbursed to Date for which the service provider has been determined to be primarily responsible. These improperly disbursed funds will have to be recovered from the service provider.

DISBURSED FUNDS RECOVERY EXPLANATION: This entry provides the reason the adjustment was made.

**Funding Disbursement Report
for Form 471 Application Number: 180438**

Funding Request Number: 388417
Contract Number: MTM
Services Ordered: INTERNET ACCESS
Billing Account Number:
Funding Commitment: \$20,412.00
Funds Disbursed to Date: \$20,412.00
Funds to be Recovered from Service Provider: \$18,711.00

Disbursed Funds Recovery Explanation:

After a thorough investigation, it has been determined that funds were improperly disbursed on this funding request. Connect2 Internet Networks Inc. provided documentation showing a potential rule violation. The documentation provided showed that services were provided from June 2001 to June 2002. The Funding Year for this application is from July 2000 - June 2001. Only one month of service was provided within the funding year. The pre-discount cost of the service is \$20,790.000. The applicant's discount rate is 90%. Therefore, \$18,711.00 was disbursed for services delivered outside of the funding year. FCC rules require applicants to use recurring services within the relevant funding year, and to implement non-recurring services by the applicable deadline established by the Commission. While these requirements are placed on applicants, when service providers seek support, via a SPI, for services provided outside of the funding year, they violate these rules. Accordingly, the SLD is seeking recovery of the \$18,711.00 that was improperly disbursed for services delivered outside of the funding year from the service provider.

Funding Request Number: 388426
Contract Number: MTM
Services Ordered: INTERNET ACCESS
Billing Account Number:
Funding Commitment: \$20,412.00
Funds Disbursed to Date: \$20,412.00
Funds to be Recovered from Service Provider: \$18,711.00

Disbursed Funds Recovery Explanation:

After a thorough investigation, it has been determined that funds were improperly disbursed on this funding request. Connect2 Internet Networks Inc. provided documentation showing a potential rule violation. The documentation provided showed that services were provided from June 2001 to June 2002. The Funding Year for this application is from July 2000 - June 2001. Only one month of service was provided within the funding year. The pre-discount cost of the service is \$20,790.000. The applicant's discount rate is 90%. Therefore, \$18,711.00 was disbursed for services delivered outside of the funding year. FCC rules require applicants to use recurring services within the relevant funding year, and to implement non-recurring services by the applicable deadline established by the Commission. While these requirements are placed on applicants, when service providers seek support, via a SPI, for services provided outside of the funding year, they violate these rules. Accordingly, the SLD is seeking recovery of the \$18,711.00 that was improperly disbursed for services delivered outside of the funding year from the service provider.

Funding Request Number:	388432
Contract Number:	MTM
Services Ordered:	INTERNET ACCESS
Billing Account Number:	
Funding Commitment:	\$20,412.00
Funds Disbursed to Date:	\$20,412.00
Funds to be Recovered from Service Provider:	\$18,711.00

Disbursed Funds Recovery Explanation:

After a thorough investigation, it has been determined that funds were improperly disbursed on this funding request. Connect2 Internet Networks Inc. provided documentation showing a potential rule violation. The documentation provided showed that services were provided from June 2001 to June 2002. The Funding Year for this application is from July 2000 - June 2001. Only one month of service was provided within the funding year. The pre-discount cost of the service is \$20,790.000. The applicant's discount rate is 90%. Therefore, \$18,711.00 was disbursed for services delivered outside of the funding year. FCC rules require applicants to use recurring services within the relevant funding year, and to implement non-recurring services by the applicable deadline established by the Commission. While these requirements are placed on applicants, when service providers seek support, via a SPI, for services provided outside of the funding year, they violate these rules. Accordingly, the SLD is seeking recovery of the \$18,711.00 that was improperly disbursed for services delivered outside of the funding year from the service provider.

Funding Request Number:	388489
Contract Number:	1546
Services Ordered:	INTERNAL CONNECTIONS
Billing Account Number:	
Funding Commitment:	\$238,356.00
Funds Disbursed to Date:	\$238,356.00
Funds to be Recovered from Service Provider:	\$6,240.00

Disbursed Funds Recovery Explanation:

Pursuant to your request of 12/10/2002, your funding commitment for FRN 388489 has been reduced by \$6,240.00 as of the date of this letter. Since the FCC rules require that the SLD recover funds that were disbursed over the commitment, SLD will seek recovery of any disbursed funds from the service provider.



Universal Service Administrative Company
Schools & Libraries Division

Notification of Improperly Disbursed Funds Letter
Funding Year 2000: 7/01/2000 - 6/30/2001

April 20, 2006

John Angelides
Connect2 Internet Networks Inc.
26 Bay Street
Staten Island, NY 10301 5635

Re: SPIN: 143007419
Form 471 Application Number: 180904
Funding Year: 2000
FCC Registration Number:
Applicant Name: RICE HIGH SCHOOL
Billed Entity Number: 10082
Applicant Contact Person: John Dotson

Our routine review of Schools and Libraries Program funding commitments has revealed certain applications where funds were disbursed in violation of program rules.

In order to be sure that no funds are used in violation of program rules, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) must now recover these improper disbursements. The purpose of this letter is to inform you of the recoveries as required by program rules, and to give you an opportunity to appeal this decision. USAC has determined the service provider is responsible for all or some of the program rule violations. Therefore, the service provider is responsible to repay all or some of the funds disbursed in error.

This is NOT a bill. The next step in the recovery of improperly disbursed funds process is for SLD to issue you a Demand Payment Letter. The balance of the debt will be due within 30 days of the Demand Payment Letter. Failure to pay the debt within 30 days from the date of the Demand Payment Letter could result in interest, late payment fees, administrative charges and implementation of the "Red Light Rule." Please see the "Informational Notice to All Universal Service Fund Contributors, Beneficiaries, and Service Providers" at <http://www.universalservice.org/fund-administration/tools/latest-news.aspx#083104> for more information regarding the consequences of not paying the debt in a timely manner.

TO APPEAL THIS DECISION

If you wish to appeal the Notification of Improperly Disbursed Funds decision indicated in this letter, your appeal must be received or postmarked within 60 days of the date of this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. In your letter of appeal:

1. Include the name, address, telephone number, fax number, and e-mail address (if available) for the person who can most readily discuss this appeal with us.
2. State outright that your letter is an appeal. Identify the date of the Notification of Improperly Disbursed Funds Letter and the Funding Request Numbers you are appealing. Your letter of appeal must also include the applicant name, the Form 471 Application Number, Billed Entity Number, and the FCC Registration Number from the top of your letter.
3. When explaining your appeal, copy the language or text from the Notification of Improperly Disbursed Funds Letter that is the subject of your appeal to allow the SLD to more readily understand your appeal and respond appropriately. Please keep your letter specific and brief, and provide documentation to support your appeal. Be sure to keep copies of your correspondence and documentation.
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Schools and Libraries Division
Universal Services Administrative Company

cc: John Dotson
RICE HIGH SCHOOL

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FUNDING COMMITMENT: This represents the amount of funding that SLD had reserved to reimburse for the approved discounts for this service for this funding year.

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DISBURSED FUNDS RECOVERY EXPLANATION: This entry provides the reason the adjustment was made.

**Funding Disbursement Report
for Form 471 Application Number: 180904**

Funding Request Number:	368499
Contract Number:	MTM
Services Ordered:	INTERNET ACCESS
Billing Account Number:	
Funding Commitment:	\$20,412.00
Funds Disbursed to Date:	\$20,412.00
Funds to be Recovered from Service Provider:	\$18,711.00
Disbursed Funds Recovery Explanation:	

After a thorough investigation, it has been determined that funds were improperly disbursed on this funding request. Connect2 Internet Networks Inc. provided documentation showing a potential rule violation. The documentation provided showed that services were provided from June 2001 to June 2002. The Funding Year for this application is from July 2000 - June 2001. Only one month of service was provided within the funding year. The pre-discount cost of the service is \$20,790.000. The applicant's discount rate is 90%. Therefore, \$18,711.00 was disbursed for services delivered outside of the funding year. FCC rules require applicants to use recurring services within the relevant funding year, and to implement non-recurring services by the applicable deadline established by the Commission. While these requirements are placed on applicants, when service providers seek support, via a SPI, for services provided outside of the funding year, they violate these rules. Accordingly, the SLD is seeking recovery of the \$18,711.00 that was improperly disbursed for services delivered outside of the funding year from the service provider.

Funding Request Number:	368506
Contract Number:	1501
Services Ordered:	INTERNAL CONNECTIONS
Billing Account Number:	
Funding Commitment:	\$288,740.70
Funds Disbursed to Date:	\$288,740.70
Funds to be Recovered from Service Provider:	\$4,450.50
Disbursed Funds Recovery Explanation:	

After a thorough investigation, it has been determined that funds were improperly disbursed on this funding request. Connect2 Internet Networks Inc. provided documentation showing a potential rule violation. The documentation provided showed that an unauthorized service substitution had taken place. The original Item 21 requested an Instant Internet Box but; at the time of installation, was replaced with a registered Class C of IP addresses. It was determined that \$4,450.50 of funding was requested and disbursed for an Instant Internet Box, but this was not installed. FCC rules require that applicants indicate on the Form 471 and item 21 attachments the services and/or equipment for which they are seeking funding so that USAC can determine whether the services and/or equipment are eligible for funding. Since the services were invoiced via a SPI, this violation was caused by an act or omission of the service provider because the service provider is responsible for ensuring that it provides and invoices SLD for only the products and/or services equipment that SLD approved. On the SPAC Form at Block 2 Item 10, the authorized person certifies on behalf of the service provider that the Service Provider Invoice Forms that are submitted by this service provider contain requests for universal service support for services which have been billed to the service provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator. Accordingly, the SLD will seek recovery of the \$4,450.50 of improperly disbursed funds from the service provider.



Universal Service Administrative Company
Schools & Libraries Division

Notification of Improperly Disbursed Funds Letter
Funding Year 2000: 7/01/2000 - 6/30/2001

April 20, 2006

John Angelides
Connect2 Internet Networks Inc.
26 Bay Street
Staten Island, NY 10301

Re: SPIN: 143007419
Form 471 Application Number: 180391
Funding Year: 2000
FCC Registration Number:
Applicant Name: Robert Treat Academy Charter School
Billed Entity Number: 207859
Applicant Contact Person: Mr. Sung Yi

Our routine review of Schools and Libraries Program funding commitments has revealed certain applications where funds were disbursed in violation of program rules.

In order to be sure that no funds are used in violation of program rules, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) must now recover these improper disbursements. The purpose of this letter is to inform you of the recoveries as required by program rules, and to give you an opportunity to appeal this decision. USAC has determined the service provider is responsible for all or some of the program rule violations. Therefore, the service provider is responsible to repay all or some of the funds disbursed in error.

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Schools and Libraries Division
Universal Services Administrative Company

cc: Mr. Sung Yi
Robert Treat Academy Charter School

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DISBURSED FUNDS RECOVERY EXPLANATION: This entry provides the reason the adjustment was made.

**Funding Disbursement Report
for Form 471 Application Number: 180391**

Funding Request Number:	369750
Contract Number:	1565
Services Ordered:	INTERNET ACCESS
Billing Account Number:	
Funding Commitment:	\$20,412.00
Funds Disbursed to Date:	\$20,412.00
Funds to be Recovered from Service Provider:	\$18,711.00

Disbursed Funds Recovery Explanation:

After a thorough investigation, it has been determined that funds were improperly disbursed on this funding request. Connect2 Internet Networks Inc. provided documentation showing a potential rule violation. The documentation provided showed that services were provided from June 2001 to June 2002. The Funding Year for this application is from July 2000 - June 2001. Only one month of service was provided within the funding year. The pre-discount cost of the service is \$20,790.000. The applicant's discount rate is 90%. Therefore, \$18,711.00 was disbursed for services delivered outside of the funding year. FCC rules require applicants to use recurring services within the relevant funding year, and to implement non-recurring services by the applicable deadline established by the Commission. While these requirements are placed on applicants, when service providers seek support, via a SPI, for services provided outside of the funding year, they violate these rules. Accordingly, the SLD is seeking recovery of the \$18,711.00 that was improperly disbursed for services delivered outside of the funding year from the service provider.

EXHIBIT 2

MAG 25 12

Approved: DAVID M. SIEGAL
Assistant United States Attorney

Before: HONORABLE KEVIN NATHANIEL FOX
United States Magistrate Judge
Southern District of New York

- - - - - x UNDER SEAL

UNITED STATES OF AMERICA : COMPLAINT

-v- : Violations of
18 U.S.C. §§ 371, 287, 1001,
1343, 1503, 1519, and 2

JOHN ANGELIDES, :
JOHN DOTSON, :
OSCAR ALVAREZ, and : COUNTY OF OFFENSE
GARY BLUM, : NEW YORK

Defendants.

- - - - - x
STATE OF NEW YORK)
COUNTY OF NEW YORK) ss.:
SOUTHERN DISTRICT OF NEW YORK)

COURTNEY FOSTER, being duly sworn, deposes and says that she is a Special Agent with the Federal Bureau of Investigation ("FBI"), and charges as follows:

COUNT ONE

1. From at least in or about the Fall 1999, through at least in or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, and others known and unknown, unlawfully, willfully and knowingly did combine, conspire, confederate and agree together and with each other to violate the laws of the United States, to wit, Title 18, United States Code, Sections 287, 1001, and 1343.

2. It was a part and an object of the conspiracy that JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, and others known and unknown, unlawfully, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, for the purpose of executing such scheme and artifice and

attempting so to do, would and did transmit and cause to be transmitted by means of wire, radio and television communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds for the purpose of executing such a scheme and artifice, in violation of Section 1343 of Title 18, United States Code.

3. It was further a part and an object of the conspiracy that JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, and others known and unknown, unlawfully, willfully and knowingly, made and presented to persons and officers in the civil service of the United States and to departments and agencies thereof, claims upon and against the United States and departments and agencies thereof, knowing such claims to be false, fictitious and fraudulent, in violation of Section 287 of Title 18, United States Code.

4. It was further a part and an object of the conspiracy that JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, and others known and unknown, in a matter within the jurisdiction of the executive, legislative and judicial branch of the Government of the United States, unlawfully, willfully and knowingly, falsified, concealed and covered up by trick, scheme and device material facts, and made materially false and fraudulent statements and representations, and made and used false writings and documents knowing the same to contain materially false, fictitious and fraudulent statements and entries, in violation of Section 1001 of Title 18, United States Code.

OVERT ACTS

5. In furtherance of said conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. On or about January 13, 2000, JOHN ANGELIDES, the defendant, sent by fax communication from Staten Island, New York, to Newark, New Jersey, a letter he signed on behalf of Connect 2 Internet Networks, Inc. ("C2I") stating to the St. Rocco Victoria School that it could participate in the Government E-Rate Program with "absolutely no cost to the school."

b. In or about January 2000, JOHN ANGELIDES, the defendant, told an employee of the Association for the Help of Retarded Children who was in New York, New York, that it could participate in the Government E-Rate Program and incur no cost.

c. On or about January 18, 2000, JOHN ANGELIDES, the defendant, signed a letter on behalf of C2I stating to the St.

John Lutheran School in Queens, New York, that it could participate in the Government E-Rate Program with "absolutely no cost to the school."

d. In or about January 2000, JOHN ANGELIDES and GARY BLUM, the defendants, signed a letter dated January 18, 2000, on behalf of C2I stating to the Islamic Elementary School in Queens, New York, that it could participate in the Government E-Rate Program with "absolutely no cost to the school."

e. On or about January 12, 2001, GARY BLUM, the defendant, sent by fax communication to New York, New York, a letter on behalf of C2I stating to the Association for the Help of Retarded Children that it could participate in the Government E-Rate Program with "no liability" for the portion of the costs of the Program it was required to pay under program rules.

f. On or about July 30, 2001, JOHN ANGELIDES, the defendant, with the knowledge of GARY BLUM, the defendant, sent a fax communication from Staten Island, New York, to New Jersey, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that ANGELIDES and his company, C2I, were acting in compliance with the rules and regulations of the Government E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

g. On or about August 30, 2001, JOHN ANGELIDES, the defendant, with the knowledge of GARY BLUM, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that ANGELIDES and his company, C2I, were acting in compliance with the rules and regulations of the Government E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

h. On or about September 7, 2001, JOHN ANGELIDES, the defendant, with the knowledge of GARY BLUM, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that ANGELIDES and his company, C2I, were acting in compliance with the rules and regulations of the Government E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

i. On or about September 28, 2001, JOHN DOTSON, the defendant, created two checks in the approximate amounts of \$52,731 and \$2,268, respectively, payable to C2I, intending that they be used by his co-conspirators falsely to represent to the

Government that C2I was acting in compliance with the rules and regulations of the Government E-Rate Program.

j. On or about October 10, 2001, JOHN ANGELIDES, the defendant, paid \$54,999 to JOHN DOTSON, the defendant, in reimbursement for monies that DOTSON paid to C2I on or about September 28, 2001, in order to create the false impression that C2I was acting in compliance with the rules and regulations of the Government E-Rate Program.

k. On or about October 11, 2001, JOHN ANGELIDES, the defendant, with the knowledge of GARY BLUM and OSCAR ALVAREZ, the defendants, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that C2I was acting in compliance with the rules and regulations of the Government E-Rate Program, and enclosed false, incomplete and misleading documentation to support that false representation.

l. On or about October 22, 2001, JOHN ANGELIDES, the defendant, with the knowledge of GARY BLUM, and OSCAR ALVAREZ, the defendants, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that C2I was acting in compliance with the rules and regulations of the Government E-Rate Program, and enclosed false, incomplete and misleading documentation to support that false representation.

m. On or about November 21, 2001, JOHN ANGELIDES the defendant, with the knowledge of GARY BLUM, and OSCAR ALVAREZ, the defendants, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that C2I, was acting in compliance with the rules and regulations of the Government E-Rate Program, and enclosed false, incomplete and misleading documentation to support that false representation.

(Title 18, United States Code, Section 371.)

COUNT TWO

6. From at least in or about the Fall 1999, through at least in or about September 23, 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, unlawfully, willfully and knowingly, made and presented to persons and officers in the civil service of the United States and to departments and agencies thereof, claims upon and against the United States and departments and agencies

thereof, knowing such claims to be false, fictitious and fraudulent, to wit, claims for reimbursement from the E-Rate government funding program for services and equipment allegedly provided to the Children's Store Front School based on false representations as described below.

(Title 18, United States Code, Sections 287 and 2.)

COUNT THREE

7. From at least in or about the Fall 1999, through at least in or about November 21, 2001, in the Southern District of New York and elsewhere, JOHN ANGELIDES, OSCAR ALVAREZ, and GARY BLUM, the defendants, unlawfully, willfully and knowingly, made and presented to persons and officers in the civil service of the United States and to departments and agencies thereof, claims upon and against the United States and departments and agencies thereof, knowing such claims to be false, fictitious and fraudulent, to wit, claims for reimbursement from the E-Rate government funding program for services and equipment allegedly provided to the Association for the Help of Retarded Children based on false representations as described below.

(Title 18, United States Code, Sections 287 and 2.)

COUNT FOUR

8. In or about October 11, 2001, in the Southern District of New York and elsewhere, JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, in a matter within the jurisdiction of the executive, legislative and judicial branches of the Government of the United States, unlawfully, willfully and knowingly, falsified, concealed and covered up by trick, scheme and device material facts, made materially false, fictitious and fraudulent statements and representations, and made and used false writings and documents knowing the same to contain materially false, fictitious and fraudulent statements and entries, to wit, false statements and concealment of material facts falsely representing that C2I was acting in compliance with the rules and regulations of the E-Rate government funding program regarding its claim for reimbursement related to the Children's Store Front School, as described below.

(Title 18, United States Code, Sections 1001 and 2.)

COUNT FIVE

(9.) In or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES and OSCAR ALVAREZ, the defendants, in a matter within the jurisdiction of the executive, legislative and judicial branches of the Government of the United States, unlawfully, willfully and knowingly, falsified, made and used false writings and documents knowing the same to contain materially false, fictitious and fraudulent statements and entries, to wit, backdated invoices and a misleading contractual document falsely representing that C2I was acting in compliance with the rules and regulations of the E-Rate government funding program regarding its claim for reimbursement related to the Islamic Elementary School, as described below.

(Title 18, United States Code, Sections 1001 and 2.)

COUNT SIX

10. From at least in or about December 2001, through at least on or about June 6, 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, the defendant, unlawfully, willfully, knowingly and corruptly influenced, obstructed and impeded, and endeavored to influence, obstruct and impede, the due administration of justice, to wit, the defendant withheld from production to the grand jury the following documents, among others, that were required to be produced pursuant to a grand jury subpoena issued in the Southern District of New York:

Date	Description	Related School
1/11/2000	Letter from St. Rocco Victoria School to C2I, countersigned by JOHN ANGELIDES stating, <u>inter alia</u> , "in accepting the [C2I] proposal there is absolutely no cost to the school."	Saint Rocco Victoria School
1/14/2000	Letter from AHRC to JOHN ANGELIDES, stating, <u>inter alia</u> , "AHRC is absolved from any costs associated with the E-Rate proposal, (specifically, the 10% school costs)."	Association for the Help of Retarded Children

1/12/2001	Letter from GARY BLUM to Association for the Help of Retarded Children, stating, <u>inter alia</u> , "AHRC will have no liabilities for this portion of the costs."	Association for the Help of Retarded Children
1/18/2000	Letter signed by JOHN ANGELIDES and initialed by GARY BLUM from C2I to Islamic Elementary School, stating, <u>inter alia</u> , "It is our agreement that Islamic Elementary School will not be responsible for any cost in the proposal made to Islamic Elementary School by Connect2. . . . In accepting the Connect2 proposal, there is absolutely no cost to the school."	Islamic Elementary School
1/18/2000	Letter signed by JOHN ANGELIDES from C2I to St. John Lutheran School, stating, <u>inter alia</u> , "It is our understanding that St. John Lutheran School will not be responsible for any cost in the proposal made to St. John Lutheran School by Connect2. . . . It is our understanding that in accepting the Connect2 proposal, there is absolutely no cost to the school."	St. John Lutheran School

(Title 18, United States Code, Sections 1503 and 2.)

COUNT SEVEN

11. In or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES and OSCAR ALVAREZ, the defendants, and others known and unknown, unlawfully, willfully and knowingly did combine, conspire, confederate and agree together and with each other to violate the laws of the United States, to wit, Section 1519 of Title 18, United States Code.

12. It was a part and an object of the conspiracy that JOHN ANGELIDES and OSCAR ALVAREZ, the defendants, and others known and unknown, unlawfully, willfully and knowingly, altered, destroyed, concealed, covered up, falsified, and made false entries in records, documents, and tangible objects with the intent to impede, obstruct, and influence the investigation and proper administration of matters within the jurisdiction of departments and agencies of the United States, and in relation to and contemplation of such matters, in violation of Section 1519 of Title 18, United States Code.

OVERT ACTS

13. In furtherance of said conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. In or about October 2002, JOHN ANGELIDES, the defendant, met with a school administrator from the Islamic Elementary School in Queens, New York, and gave that administrator backdated invoices and a purported contract intended to be used for purposes of falsely representing to the FCC that C2I was acting in compliance with the rules and regulations of the government E-Rate Program, as described below.

b. On or about October 8, 2002, JOHN ANGELIDES, and OSCAR ALVAREZ, the defendants, met with school administrators from the Islamic Elementary School in Queens, New York, and urged those administrators to falsely represent to the FCC that C2I was acting in compliance with the rules and regulations of the government E-Rate Program, as described below.

c. On or about October 9, 2002, JOHN ANGELIDES, the defendant, spoke over the telephone with a school administrator from the Islamic Elementary School who was in New York, New York, and urged that administrator to falsely represent to the FCC that C2I was acting in compliance with the rules and regulations of the government E-Rate Program, as described below.

d. On or about October 10, 2002, JOHN ANGELIDES, the defendant, spoke over the telephone with a school administrator from the Islamic Elementary School who was in New York, New York, and urged that administrator to falsely represent to the FCC that C2I was acting in compliance with the rules and regulations of the government E-Rate Program, as described below.

(Title 18, United States Code, Section 371.)

COUNT EIGHT

14. In or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, the defendant, unlawfully, willfully and knowingly, altered, destroyed, concealed, covered up, falsified, and made false entries in records, documents, and tangible objects with the intent to impede, obstruct, and influence the investigation and proper administration of matters within the jurisdiction of departments and agencies of the United States, and in relation to and contemplation of such matters, to wit, attempted to persuade witnesses not to reveal to government auditors documents evidencing his fraudulent conduct related to the E-Rate government funding program, as described below.

(Title 18, United States Code, Sections 1519 and 2.)

The bases for my knowledge and for the foregoing charges are, in part, as follows:

15. I am a Special Agent with the FBI, and I have been involved personally in the investigation of this matter. I am familiar with the facts and circumstances set forth below from my personal participation in the investigation, including interviews I have conducted, my examination of reports and records, and my conversations with other law enforcement officers, including an undercover law enforcement agent. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements and conversations of others are reported herein, they are reported in substance and in part.

THE E-Rate Program

16. I have spoken with an attorney employed by a private, not-for-profit company called the Universal Service Administration Company ("USAC"), and have reviewed documents and materials provided to me by that attorney and her staff. From these sources, I have learned the following, among other things:

a. In around 1998, the Federal government implemented a program to provide subsidies to schools and libraries in financial need for use in the purchase and installation of internet access and telecommunications services as well as internal computer and communication networks (the "E-Rate Program"). The program is administered under contract with the Government by USAC and a subdivision of USAC called the "Schools and Libraries

Division" ("SLD"). The Federal Communications Commission ("FCC") oversees and regulates USAC and SLD.'

b. One of the principal objectives of the E-Rate Program is to encourage economically disadvantaged schools to create and upgrade their internet and communications infrastructure, and provide their students with access to the internet as a learning tool. To further this objective, the Federal government has, since the inception of the program, offered to pay a large portion of the cost of each participant school's infrastructure enhancements, where such schools meet the E-Rate Program's eligibility requirements.

c. One of the Program's core eligibility requirements is that each applicant school pay some percentage of the cost of the infrastructure enhancement. The percentage that the applicable school must pay ranges from 10% to 80%, depending on particular characteristics related to the neediness of each applicant institution (hereinafter, the school's "Undiscounted Share"). The Government pays the balance of that cost, which ranges from as low as 20% to as high as 90%. Among the reasons why the applicant schools are required to pay a portion of the costs are: (i) to ensure that schools have a financial incentive to negotiate for the most favorable prices, so that the government's spending under the program is not wasteful; and (ii) to ensure that schools only purchase infrastructure and equipment that they truly need.

CONNECT 2 INTERNET

17. According to public records and witnesses whom I have interviewed, C2I is a vendor of internet and communications infrastructure and related services. JOHN ANGELIDES, the defendant, is the owner and principal officer of C2I. At the relevant times described below, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, were employed by C2I.

18. According to USAC records:

a. A number of schools in the New York City and New Jersey area have applied for and received funding from the E-Rate Program to establish, enhance and/or upgrade those schools' internet infrastructure.

USAC administers the Universal Service Fund under regulations promulgated by the FCC.

b. In the period from approximately July 1998 to the present, C2I was the vendor of goods and services for more than 200 schools participating in E-Rate. Most of these schools purported to participate at a 90% discount rate (i.e., the discount rate associated with the most financially disadvantaged schools), meaning that the schools were obligated to pay 10% of the cost of goods and services, and C2I sought payment from the Government for the remaining 90%.

c. In the period from approximately July 1998 through approximately June 2001, the Government actually paid C2I more than \$9 million in E-Rate monies for goods and services that C2I provided to approximately 136 schools.

SUMMARY OF THE FRAUDULENT SCHEME

19. As described more fully below, JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, and others not named as defendants herein, devised and carried out a scheme to obtain E-Rate funds for goods and services that C2I provided to various schools on the false pretense that the schools would pay or had paid their required share of the costs of those goods and services. In fact, the defendants charged the schools nothing for these goods and services and assured the schools that they would never have to pay for the goods and services. In this way, the defendants were able to sell almost limitless quantities of E-Rate eligible goods and services to schools across the New York City area, with little or no control on the price they charged, and impose the entire cost on the Government.

20. The defendants and their co-conspirators went to great length to deceive the schools and induce them to participate in the scheme. They also engaged in elaborate efforts to deceive the Government into believing that the schools had paid their Undiscounted Share. As detailed below, the defendants did so by: (a) falsely representing to school administrators that the schools' Undiscounted Share would be covered by "outside grants" or "outside sources of funding" donated to C2I for that purpose; (b) asking the schools to write checks payable to C2I and agreeing not to cash the checks; (c) asking the schools to write checks payable to C2I and agreeing to return the money in cash or by check payable to the schools or their designees; (d) creating back-dated invoices and other phony billing documents to give the false appearance that C2I billed the schools for their Undiscounted Share; (e) concealing communications in which the defendants assured the schools that they would not have to pay for any of the goods and services being supplied by C2I; and (f) attempting to persuade school administrators to lie to government investigators and give them

false and misleading documents, all designed to conceal the scheme and enable the defendants to collect more money from the E-Rate

THE INVESTIGATION

21. In or about the Spring and Summer 2001, SLD commenced an investigation into C2I's compliance with the E-Rate Program rules. Beginning in the Spring 2001, analysts and investigators working for USAC and SLD began contacting participant schools and collecting records of their dealings with C2I and its representatives. In or about the Fall of 2001, the FBI commenced an independent criminal investigation of the activities of C2I, which has generated further evidence concerning C2I and the schools to which it provided goods and services.

THE AL NOOR SCHOOL

22. According to USAC and SLD records:

a. The Al Noor School, located in Brooklyn, New York, participated in the E-Rate Program using C2I as its E-Rate vendor.

b. Al Noor School participated in the E-Rate Program with a 90% discount rate, meaning that it was eligible to receive from the E-Rate Program 90% of the costs of the eligible computer and internet services and equipment provided by C2I.

c. For the fiscal year of the E-Rate Program covering the period from July 2000 through June 2001 (hereinafter, "Funding Year 3"),² C2I applied for E-Rate funds totaling approximately \$851,000 - purportedly 90% of the total costs - for E-Rate eligible goods and services to be provided by C2I to the Al Noor School. The full amount requested was approved and paid to C2I by USAC.

² The E-Rate Program was initiated in 1998, and Funding Years 1 and 2 related to the periods between July 1998 through June 1999, and July 1999 through June 2000, respectively.

23. I have interviewed a school administrator of the Al Noor School ("CW-1")¹, who advised me of the following, in substance and in part:

a. In or about 1999 and early 2000, GARY BLUM and OSCAR ALVAREZ, the defendants, met with CW-1 numerous times. During these meetings, BLUM and ALVAREZ solicited CW-1 to retain C2I as Al Noor School's vendor for the E-Rate Program. In doing so, they represented that, if Al Noor School retained C2I, Al Noor School could obtain hundreds of thousands of dollars worth of internet-related services and equipment without paying any money. When asked how this could be accomplished, BLUM and ALVAREZ provided vague explanations, suggesting they would find "donations" to cover Al Noor School's 10% Undiscounted Share or some other means of "taking care of" the school's obligation.

(b) In or about July 2001, JOHN ANGELIDES, the defendant, met with CW-1 and confirmed C2I's earlier promise that Al Noor School would not have to pay its 10% Undiscounted Share. ANGELIDES said, however, that he wanted Al Noor School to help ANGELIDES make it appear to the SLD that Al Noor School was in fact paying its 10% to C2I. ANGELIDES instructed CW-1 to pay the 10% amount to C2I by check and promised to refund the full amount to the school by other means. CW-1 agreed to this arrangement.

(c) In or about August and September 2001, Al Noor School paid C2I its 10% share -- approximately \$94,000 -- in two separate checks. Shortly afterwards, JOHN ANGELIDES, the defendant, refunded those monies, giving CW-1 an envelope containing approximately \$20,000 cash, and checks to cover the balance. One of those checks was in the approximate amount of \$65,000 and made payable to the Islamic Society of Bay Ridge ("ISBR"), a charitable organization whose president sat on the board of directors of Al Noor. CW-1 made arrangements with ISBR for the ISBR to forward to Al Noor the funds that it received from C2I.

24. I have reviewed a copy of a canceled check in the amount of approximately \$65,194, payable to ISBR, drawn on an account of C2I, and signed by JOHN ANGELIDES, the defendant. I

CW-1 has provided information and assistance to the Government in the hope of receiving a reduced sentence for his/her participation in a fraudulent scheme to obtain Government funds under the E-Rate Program. The information provided by CW-1 has been reliable, and has been corroborated by independent information, as described more fully below.

have also reviewed bank records of ISBR which show that at least approximately \$74,660 was paid by C2I to ISBR, in two checks, in or about September and November 2001.

25. I have interviewed an analyst for SLD, who provided me with documents and other information. The information reveals the following, in substance and in part:

(a) In or about August 2001, in conversations with JOHN ANGELIDES, the defendant, the analyst at least twice requested documentary proof that C2I had billed Al Noor School for its Undiscounted Share and that the Al Noor School had paid that amount.

(b) On or about August 30, 2001, in response to these requests, JOHN ANGELIDES, the defendant, faxed from Staten Island, New York, to the SLD analyst in New Jersey, copies of a check from Al Noor School in the approximate amount of \$85,194 payable to C2I and an invoice purportedly showing that ~~Al Noor School~~ had billed Al Noor School for approximately \$94,660. On the fax cover sheet, ANGELIDES wrote, in part, "Enclosing Invoice & Check for the schools proportionate amount." The fax cover sheet included a "CC" to GARY BLUM, the defendant.

(c) On or about September 7, 2001, JOHN ANGELIDES, the defendant, faxed from Staten Island, New York, to the SLD analyst in New Jersey, a copy of a check from Al Noor School to C2I in the approximate amount of \$9,466. On the fax cover sheet, ANGELIDES wrote, in relevant part: "Finally, we picked up the last of the checks from the Al Noor Schools, which should clear the way for us to get paid." That fax cover sheet included a "CC" to GARY BLUM, the defendant.

SAINT ROCCO VICTORIA SCHOOL

26. According to USAC and SLD records:

a. The Saint Rocco Victoria School, located in Newark, New Jersey, participated in the E-Rate Program using C2I as its E-Rate vendor.

b. Saint Rocco Victoria School participated in the E-Rate Program with a 90% discount rate.

c. For Funding Year 3 of the E-Rate Program, C2I applied for a total of approximate \$349,405 in E-Rate funds for goods and services to be provided to the Saint Rocco Victoria School. This amount purported to be 90% of the total price charged

to Saint Rocco Victoria School for E-Rate eligible goods and services. The full amount requested was approved and paid to C2I by USAC.

27. I have interviewed a school administrator of Saint Rocco Victoria School ("St. Rocco Administrator 1"), who as advised me of the following, in substance and in part:

a. In or about the Fall 1999, GARY BLUM and OSCAR ALVAREZ, the defendants, told St. Rocco Administrator 1 that, if Saint Rocco Victoria School retained C2I as its vendor for the E-Rate Program, the School could obtain hundreds of thousands of dollars worth of internet-related services and equipment without paying any money. When St. Rocco Administrator 1 asked BLUM and ALVAREZ about how this could be accomplished in light of the requirement that the school pay its 10% Undiscounted Share, BLUM and ALVAREZ stated without elaboration that C2I would find "outside funding" or "grants" that would cover the school's 10% portion.

b. In reliance on these representations, Saint Rocco Victoria School applied through the E-Rate Program for a substantially more expensive and extensive internet service and equipment package than it would have done had the School been required to pay its 10% share.

c. In order to protect Saint Rocco Victoria School, St. Rocco Administrator 1 asked that C2I confirm in writing its promise to cover the school for any costs. In response, JOHN ANGELIDES, the defendant, provided a letter to St. Rocco Administrator 1 that confirmed this promise.

d. St. Rocco Administrator 1 did not expect to receive any invoices from C2I for services or equipment related to the E-Rate Program. However, in the Spring or Summer of 2001 (around the time when the SLD commenced an investigation of C2I's compliance with the E-Rate Program rules), JOHN ANGELIDES, the defendant, advised St. Rocco Administrator 1 that C2I would be billing the School for its 10% Undiscounted Share of the internet access service cost. ANGELIDES explained that he needed to issue an invoice for this amount because of a lag between when C2I applied for reimbursement and when C2I received payment from the Government. ANGELIDES represented that, if the school paid the invoice, C2I would return the full amount of the payment at a later date. Shortly afterwards, as per this arrangement with ANGELIDES, St. Rocco Administrator 1 provided C2I with a check in the amount set forth in an invoice supplied by ANGELIDES. Later in 2001, C2I returned the money to the Saint Rocco Victoria School, as ANGELIDES had promised.

28. I have interviewed another school administrator of Saint Rocco Victoria School ("St. Rocco Administrator 2"), who advised me that GARY BLUM and OSCAR ALVAREZ, the defendants, also told St. Rocco Administrator 2 that Saint Rocco Victoria School could obtain internet-related services and equipment from C2I without paying any money.

29. ~~2000~~ gave me a copy of an agreement dated January 11, 2000. The agreement is in the form of a letter from St. Rocco Administrator 1 to JOHN ANGELIDES, the defendant, and is signed by both St. Rocco Administrator 1 and ANGELIDES. In the letter, St. Rocco Administrator 1 states, in relevant part, (a) that "[i]t is my understanding that St Rocco School will not be responsible for any hidden cost in the grant proposal made to us by" C2I, (b) that "[i]t is also my understanding that St. Rocco will receive outside grant monies to pay 10% of the total cost of the project," and (c) that "it is my understanding that in accepting the [C2I] proposal there is absolutely no cost to the school."

30. I have reviewed copies of the following documents: (a) an invoice dated June 4, 2001, from C2I to St. Rocco Victoria School, in the amount of \$2,268, purporting to be regarding "the School's proportionate amount due to Connect@ (sic) for E-Rate service from July 1, 2000 thru June 30, 2001"; (b) a check dated June 10, 2001, signed by St. Rocco Administrator 1 and payable to C2I, in the amount of \$2,268; and (c) two checks dated September 24, 2001, signed by JOHN ANGELIDES, the defendant, and payable to St. Rocco School, one in the amount of \$1,000 and the other in the amount of \$1,268 (totaling \$2,268).

31. USAC records reflect that in or about June, July and August 2001, USAC sought from C2I and St. Rocco Victoria School proof that C2I had billed St. Rocco Victoria School for its Undiscounted Share, and that the 10% had been paid by St. Rocco Victoria School. In response, C2I transmitted to USAC's analysts several documents by fax:

a. In one fax, sent from Staten Island, New York to New Jersey, a fax cover sheet dated July 30, 2001 and entitled "ST. ROCCO SCHOOL," contains a notation from JOHN ANGELIDES, the defendant, stating "Enclosing Invoices requested for schools proportionate amount." GARY BLUM, the defendant, is listed as "CC" on the fax. Transmitted with the cover sheet, among other things, was a copy of the purported June 4, 2001, invoice described in the previous paragraph.

b. In another fax, sent on or about September 4, 2001, from C2I in Staten Island, New York to New Jersey, C2I enclosed a

copy of the \$2,268 check to C2I signed by St. Rocco Administrator 1 described in the previous paragraph.

CHILDREN'S STORE FRONT SCHOOL

32. According to USAC and SLD records:

a. The Children's Store Front School ("CSFS"), located in New York, New York, participated in the E-Rate Program using C2I as its E-Rate vendor.

b. CSFS participated in the E-Rate Program with a 90% discount rate.

c. For Funding Year 3 of the E-Rate Program, C2I applied for a total of approximately \$491,447 in E-Rate funds for goods and services to be provided to CSFS. This amount purported to be 90% of the total price charged to CSFS for E-Rate eligible goods and services. The full amount requested was approved and paid to C2I by USAC.

33. I have interviewed a school administrator of CSFS ("CSFS Administrator 1"), who advised me, in substance and in part:

a. In or about December 1999, CSFS Administrator 1 was introduced to JOHN DOTSON, the defendant, by an administrator ("Foundation Administrator 1") of a charitable foundation known as the Gilder Foundation. DOTSON offered to assist CSFS as a "consultant" regarding the opportunities of the E-Rate Program. DOTSON suggested that CSFS retain C2I as its E-Rate vendor and repeatedly assured CSFS Administrator 1 that CSFS would not have to pay anything for the equipment and services that it would receive from C2I.

b. CSFS Administrator 1 questioned DOTSON concerning the school's obligation to pay 10% of the costs, emphasizing that CSFS could not afford to pay 10% of an expensive project. In response, DOTSON explained that Gilder Foundation would cover CSFS's share of the costs by donating money for CSFS's benefit.

c. In reliance on these representations, CSFS applied through the E-Rate Program for a substantially more expensive and extensive internet service and equipment package than it would have done had the school been required to pay its 10% share of the costs.

d. In or around the Summer of 2000, an SLD analyst contacted CSFS and asked for proof that the school had budgeted

sufficient funds to cover its 10% Undiscounted Share. To comply with this request, CSFS Administrator 1 contacted Foundation Administrator 1 at the Gilder Foundation and asked for proof, such as a letter of commitment, that the Gilder Foundation had agreed to donate funds that would cover the school's share of the costs. Foundation Administrator 1, however, said that he/she knew nothing about such a commitment.

e. CSFS Administrator 1 then contacted JOHN DOTSON, the defendant, and informed him of CSFS Administrator 1's conversation with Foundation Administrator 1. DOTSON responded that he would "take care of it." Approximately one day later, CSFS Administrator 1 was told that a commitment letter was available, and CSFS Administrator 1 picked up the letter.

f. In or about the Fall of 2001, the SLD requested proof that CSFS had paid its Undiscounted Share. After this request was received, JOHN ANGELIDES, the defendant, met with CSFS Administrator 1. During the meeting, ANGELIDES showed CSFS Administrator 1 an invoice to CSFS in the approximate amount of \$52,000, and asked for CSFS to certify its receipt of the invoice and write a check to C2I in the amount listed on the invoice. CSFS Administrator 1 expressed surprise at this request, telling ANGELIDES that CSFS had been led to believe that there would be no cost to the school for the goods and services provided by C2I. ANGELIDES responded that there was nothing to be concerned about and assured CSFS Administrator 1 that his request for a certification and check "would not cost the school anything." ANGELIDES explained that, if CSFS Administrator 1 wrote a check as ANGELIDES had requested, ANGELIDES would write a check back to CSFS in the same amount. CSFS Administrator 1 told ANGELIDES that he could not comply with ANGELIDES's requests, and directed ANGELIDES to discuss this matter with CSFS Administrator 1's supervisor, another CSFS administrator ("CSFS Administrator 2").

g. In or about the Spring of 2002, CSFS Administrator 1 asked C2I to provide CSFS with a copy of whatever information C2I had provided to the SLD as proof that CSFS's Undiscounted Share had been paid. In response, CSFS received copies of two checks written from DOTSON to C2I. CSFS did not understand why the checks were written by DOTSON, rather than the Gilder Foundation.

34. I have interviewed CSFS Administrator 2, who advised me of the following, in substance and in part:

a. In or about the Fall of 2001, JOHN ANGELIDES, the defendant, met with CSFS Administrator 2 at the request of CSFS Administrator 1. During this meeting, ANGELIDES told CSFS

Administrator 2 that SLD was seeking proof that CSFS had paid its 10% Undiscounted Share. ANGELIDES proposed two arrangements that would generate false proof that CSFS had paid this amount. As ANGELIDES explained, CSFS could either (1) write a check to C2I which ANGELIDES would "tear up"; or (2) write a check to C2I which ANGELIDES would exchange for a check payable to CSFS in the same amount. CSFS Administrator 2 told ANGELIDES that CSFS would not be a party to either arrangement.

b. After his meeting with JOHN ANGELIDES, the defendant, CSFS Administrator 2 contacted JOHN DOTSON, the defendant, and asked whether the Gilder Foundation was, in fact, paying for CSFS's 10% share of the cost of goods and services provided by C2I. In response, DOTSON said that Gilder Foundation already had paid CSFS's 10% share. Afterwards, CSFS Administrator 2 contacted ANGELIDES and related to ANGELIDES the conversation CSFS Administrator 2 had just finished with DOTSON. CSFS Administrator 2 asked ANGELIDES to speak with DOTSON, and suggested that C2I simply show the SLD proof of Gilder Foundation's payment on behalf of CSFS as evidence that CSFS had satisfied its obligation to pay 10 percent.

35. I have reviewed a copy of a letter dated August 25 (with no year) signed by Foundation Administrator 1 on behalf of the Gilder Foundation and addressed to CSFS and CSFS Administrator 1. The letter states, among other things: "Please be advised that the Gilder Foundation will continue its support of the Library, the new curriculum focus on research and computer literacy. We will honor our pledge of grant support of \$58,000. . . . E-Rate will help the school with its heightened focus on different learning styles and ways to acquire information." A fax header on the copy sent to USAC reflects that it was sent to USAC on or about September 5, 2000.

36. I have reviewed bank records of C2I reflecting that JOHN DOTSON, the defendant, was paid on multiple occasions in 2001 by C2I relating to E-Rate participant schools. Moreover, during the course of CSFS's dealings with DOTSON, CSFS Administrator 1 told me that he/she once suggested to DOTSON that CSFS was considering switching internet service providers, away from C2I. DOTSON responded "If you work with me, you work with Connect 2."

37. An analyst for the SLD advised me that, in or about September and October 2001, he/she sought from JOHN ANGELIDES, the defendant, proof that C2I had billed CSFS for its Undiscounted Share, and that the 10% had been paid by CSFS. In response, ANGELIDES transmitted to the SLD analyst several documents by fax from Staten Island, New York, to New Jersey. The fax cover sheet,

which I have reviewed, is dated October 11, 2001 and entitled "CHILDRENS STORE FRONT." On the cover sheet is a notation reading as follows: "Enclosing Invoice, Checks & equipment list for the schools proportionate amount as requested." GARY BLUM and OSCAR ALVAREZ, the defendants, are listed as "CC" on the fax. Transmitted with the cover sheet were copies of the following documents, among others:

- (a) a check dated September 28, 2001, from the personal account of JOHN DOTSON, the defendant, in the approximate amount of \$52,731, payable to C2I, with a notation that reads "Donation to Children's Store Front School for E-Rate";
- (b) a check dated September 28, 2001, from the personal account of DOTSON, in the approximate amount of \$2,268, payable to C2I, with a notation that reads "Donation to Children's Store Front School for E-Rate";
- c. a purported invoice dated September 4, 2001, that showed a charge to CSFS of approximately \$52,731, and a notation "ATTN: JOHN DOTSON," purporting to be regarding "the Schools proportionate amount due to Connect@ (sic) for E-Rate service - internal connections - see contract filed with SLD"; and
- d. another purported invoice that showed a charge to CSFS of approximately \$2,268, and a notation "ATTN: JOHN DOTSON," purporting to be regarding "the Scholols [sic] proportionate amount due to Connect@ (sic) for E-Rate service from July 1, 2000 thru June 30, 2001."

38. I have reviewed bank records of C2I that reflect that on or about September 28, 2001, the checks from JOHN DOTSON, the defendant, referred to in subparagraphs (a) and (b) of the previous paragraph were deposited into C2I's bank account. The total amount of those checks was approximately \$54,999. Other bank records and canceled checks show, however, that, on or about October 10, 2001, two certified checks totaling approximately \$54,999 were written by JOHN ANGELIDES, the defendant, on behalf of C2I, and made payable to JOHN DOTSON, the defendant. Those checks were deposited into the personal bank account of DOTSON on or about October 11, 2001. Thus, it appears that the purported contribution to CSFS in the amount of \$54,999 was a sham: DOTSON, not the Gilder Foundation, wrote the checks; and C2I returned the money to DOTSON shortly after DOTSON paid it.

- (39.) On or about September 23, 2002, pursuant to my

instructions, CSFS Administrator 2 telephoned JOHN ANGELIDES, the defendant. In the conversation that followed, which was tape-recorded with the consent of CSFS Administrator 2, CSFS Administrator 2 discussed with ANGELIDES the following, in substance and in part:

a. Regarding the checks written by JOHN DOTSON, the defendant, to C2I purportedly on behalf of CSFS, CSFS Administrator 2 stated that it was her understanding that the funds to cover CSFS's 10% share of the E-Rate Program costs were supposed to come from the Gilder Foundation.

b. ANGELIDES stated that this was his "understanding too," and added that "when the time came where, you know, a requirement was made by the FCC that we need to show a canceled check, remember there was a period about a week or so, you and I could not, uh, produce that document. John [DOTSON] went ahead and, and generated this check and he gave it to me and says that is for the Children's Store Front funding." ANGELIDES went on to say, "I accepted it because we done the work and we had to get paid and the only way we could get paid is somebody showing proof that the, the payment was made for the ten percent."

40. I have interviewed Foundation Administrator 1, who advised me that the Gilder Foundation never paid any money to C2I to "cover" any portion of the cost of the E-Rate Program to CSFS.

ASSOCIATION for the HELP of RETARDED CHILDREN

41. According to USAC and SLD records:

a. A number of schools that participated in the E-Rate Program were run by the Association for the Help of Retarded Children ("AHRC"). AHRC for a time operated three schools, one in Brooklyn, one in the Bronx, and one in Manhattan, and the student bodies of all three were subsequently consolidated into one school located in Brooklyn, New York. AHRC participated in the E-Rate Program using C2I as its E-Rate vendor.

b. AHRC participated in the E-Rate Program with a 90% discount rate.

c. For Funding Year 3 of the E-Rate Program, C2I applied for a total of approximately \$768,087 in E-Rate funds for goods and services to be provided to AHRC. AHRC did not receive approval for all the funding sought, but received approval for a less extensive funding package, in the amount of approximately \$326,384. This amount purported to be 90% of the total price to be

charged to AHRC for E-Rate eligible goods and services. The full amount of \$326,384 was paid to C2I by USAC.

42. I have interviewed a former school administrator of AHRC ("AHRC Administrator 1"), who advised me of the following, in substance and in part:

a. In or about January 2000, AHRC Administrator 1 spoke with JOHN ANGELIDES, the defendant, who told AHRC Administrator 1 that there would be "no cost" to AHRC related to the E-Rate Program for as long as AHRC retained C2I as its service provider under the Program. Some time later, GARY BLUM, the defendant, confirmed that same representation, explaining that "outside sources" of funding found by C2I would cover AHRC's 10% Undiscounted Share.

b. In order to protect AHRC, AHRC Administrator 1 confirmed his/her understanding of ANGELIDES's "no cost" promise, and later, AHRC Administrator 1 requested written confirmation on C2I letterhead of ANGELIDES's and BLUM's promise that the school would not incur any costs for participating in the Program.

c. In reliance on those representations by C2I, AHRC applied through the E-Rate Program for a substantially more expensive and extensive internet service and equipment package than it would have done had the school been required to pay its 10% share.

43. AHRC gave me a copy of a letter dated January 14, 2000, addressed from AHRC Administrator 1 to JOHN ANGELIDES, the defendant, at C2I, stating, among other things, "This letter is to confirm our conversation on January 13, 2000. According to our conversation, AHRC is absolved from any costs associated with the E-Rate proposal, (specifically, the 10% school costs)."

44. AHRC also gave me a copy of a letter dated January 12, 2001, signed by GARY BLUM, the defendant, in his capacity as "Director of Marketing" for C2I, addressed to AHRC Administrator 1. The letter states, in relevant part: "I am pleased to inform you that Connect (sic) has been able to secure the 10% portion of the E-Rate funding through, grants and donations. AHRC will have no liabilities for this portion of the costs."

45. I interviewed another administrator of AHRC ("AHRC Administrator 2"), who has advised me of the following, in substance and in part:

a. In or about October 2001, JOHN ANGELIDES, the defendant, told AHRC Administrator 2 that the government was

requesting proof from AHRC that it had paid its Undiscounted Share. ANGELIDES acknowledged the prior arrangements with AHRC that AHRC was absolved from all costs, and ANGELIDES made two suggestions to AHRC Administrator 2, each of which ANGELIDES stated was an attempt by him to keep C2I's end of the bargain so that AHRC would incur no expense: (1) that AHRC should write a check to C2I in the amount of \$2,268, which ANGELIDES would then endorse, photocopy, and immediately give back to AHRC, or (2) that AHRC should write a check to C2I and C2I would write a check to AHRC in the same amount, a practice that ANGELIDES referred to as a "dummy check exchange."

b. AHRC Administrator 2 said he did not want to be a party to either of the arrangements proposed by JOHN ANGELIDES, the defendant. AHRC Administrator 2 proposed a different arrangement. He/she told ANGELIDES that AHRC would pay to C2I the amount that ANGELIDES needed to show the Government that AHRC had paid. However, AHRC Administrator 2 said that, to satisfy its moral obligation to live up to its earlier representations to AHRC, C2I should make a donation to a charitable organization that provides financial support to AHRC. ANGELIDES agreed to this arrangement.

46. I have reviewed a fax communication on C2I stationery from JOHN ANGELIDES, the defendant, in Staten Island, New York, to AHRC Administrator 2 in New York, New York. On the fax cover sheet, which is dated October 15, 2001, ANGELIDES wrote: "This is the request from the Schools + Libraries Div. They need to see a cancelled check for AHRC. Total amount is \$22680, 10% = \$2,268. Need to do this ASAP." Also enclosed was a fax communication on SLD stationery, dated August 27, 2001, addressed to ANGELIDES. The SLD's fax to ANGELIDES contains a notation stating: "What we still need - Canceled check/letter - AHRC BKLYN."

47. I have reviewed a fax communication, dated November 21, 2001, from JOHN ANGELIDES, the defendant, in Staten Island, New York, to an SLD analyst in New Jersey. The cover sheet is entitled "AHRC SCHOOL" and bears the following notation: "Enclosing Certification, Invoice & copy of check for school as requested." GARY BLUM and OSCAR ALVAREZ, the defendant, are identified as "CC" recipients of the fax. Transmitted with the cover sheet were copies of the following documents, among others: (a) a check dated November 14, 2001, from AHRC, in the approximate amount of \$2,268 payable to C2I; and (b) a purported invoice dated June 11, 2001, that showed a charge to School 4 of approximately \$2,268, purporting to be regarding "the SCHOOLS proportionate amount due to Connect2 for the E-Rate service from July 1, 2000 thru June 30, 2001."

48. I have reviewed a copy of a check in the amount of \$2,668, from C2I and signed by JOHN ANGELIDES, the defendant, dated November 13, 2001. made payable to "AHRC NYC Foundation." AHRC Administrator 2 told me that this check was sent to him/her with an explanatory note, a copy of which was shown to me. The note, initialed by ANGELIDES, states, in relevant part: "Small contribution from Connect2Internet."

ISLAMIC ELEMENTARY SCHOOL

49. According to USAC and SLD records:

a. Islamic Elementary School ("IES"), located in Queens, New York, participated in the E-Rate Program using C2I as its E-Rate vendor.

b. IES participated in the E-Rate Program with a 90% discount rate.

c. For Funding Year 3 of the E-Rate Program, C2I applied for a total of approximately \$1,283,357 in E-Rate funds for goods and services to be provided to IES. IES did not receive approval for all the funding sought, but received approval for a less extensive funding package, in the amount of approximately \$645,047. This amount purported to be 90% of the total price to be charged to IES for E-Rate eligible goods and services. The full amount of \$645,047 was paid to C2I by USAC.

50. I have interviewed an administrator of IES ("IES Administrator 1"), who advised me of the following, in substance and in part:

a. In or about December 1999 and early January 2000, GARY BLUM and OSCAR ALVAREZ, the defendants, told IES Administrator 1 that, if IES retained C2I as its vendor for the E-Rate Program, the school could obtain hundreds of thousands of dollars worth of internet-related services and equipment at no cost to the school. BLUM and ALVAREZ explained that C2I would find "outside funding" or "grants" to cover the school's obligation to pay 10% of the cost of E-Rate eligible goods and services.

b. IES Administrator 1 asked that C2I confirm in

AHRC Administrator 2 told me that the \$400 difference between the check AHRC wrote to C2I and the check C2I wrote to the AHRC NYC Foundation was to pay for two tickets to a charity fundraising banquet for which ANGELIDES purchased seats.

writing that IES would have no obligation to pay any money for E-Rate eligible goods and services. Afterwards, IES Administrator 1 received a letter from JOHN ANGELIDES, the defendant, that confirmed this representation.

c. In reliance on these representations, IES applied through the E-Rate Program for a substantially more expensive and extensive internet service and equipment package than it would have done had the school been required to pay its 10% share.

d. IES never received any invoice from C2I and never paid any money to C2I for the internet services and equipment that C2I supplied to IES.

51. IES provided me with a copy of an agreement dated January 18, 2000, between C2I and IES. The agreement is in the form of a letter from JOHN ANGELIDES, the defendant, to IES Administrator 1 of IES, and is signed by both individuals. The letter was also initialed by GARY BLUM, the defendant, on or about January 25, 2000. The agreement states, in relevant part: "It is our agreement that Islamic Elementary School will not be responsible for any cost in the proposal (sic) made to Islamic Elementary School by Connect2. It is also our agreement that Islamic Elementary School will receive an outside grant to subsidize the school's portion of the project. Therefore, it is our agreement that In (sic) accepting the Connect2 proposal, there is absolutely no cost to the school."

52. IES also provided me with a letter, dated September 18, 2002, from the FCC to IES Administrator 1. The letter states, in relevant part, that the Office of Inspector General of the FCC would be conducting an on-site review of IES for the purpose of assessing whether IES was complying with the SLD's rules and regulations, whether the equipment supplied and the services rendered to IES were consistent with what was billed under the E-Rate Program, and whether payments were made by IES to its service provider (i.e., C2I).

53. IES Administrator 1 advised me of the following, in substance and in part:

a. When he/she received the letter from the FCC, IES Administrator 1 asked JOHN ANGELIDES, the defendant, to provide him/her with copies of certain paperwork.

b. In or about early October 2002, ANGELIDES and OSCAR ALVAREZ, the defendant, visited the school. In addition to the paperwork that IES Administrator 1 had requested, ANGELIDES gave

IES Administrator 1 backdated invoices purporting to require payment for IES's Undiscounted Share. ANGELIDES instructed IES Administrator 1 to show these invoices to the FCC auditors. ANGELIDES also suggested that IES Administrator 1 falsely represent to the auditors that IES had agreed to pay its 10% share, but that, because IES did not presently have the money to cover those costs, IES had not yet made any payment. ANGELIDES proposed that IES Administrator 1 tell the auditors that C2I recognized IES's difficult financial situation, and that C2I had agreed to give IES additional time to make those payments.

54. I have reviewed copies of approximately nine invoices that IES Administrator 1 told me were given to him/her by JOHN ANGELIDES, the defendant, in early October 2002. Each is dated June 11, 2001 or earlier, and each purports to relate to internet services, internal connections or internet access provided by C2I. Eight of the invoices relate to Funding Year 3, and purport to seek from IES a total of more than \$700,000.

(55) On or about October 8, 2002, JOHN ANGELIDES and OSCAR ALVAREZ, the defendants, met with IES Administrator 1 in IES Administrator 1's office. Also present at this meeting was another of IES's school administrators ("IES Administrator 2"). That meeting was consensually recorded on videotape and audiotape by law enforcement, and I have reviewed the recordings. During the meeting, IES Administrator 1 and IES Administrator 2 discussed with ANGELIDES and ALVAREZ the history of the relationship between IES and C2I. During this meeting:

a. ANGELIDES stated that the SLD needed to be shown proof by schools participating in the E-Rate Program, in the form of a canceled check, that the schools had paid their 10% share. Acknowledging the fact that IES had not previously written any such checks, ANGELIDES reiterated that IES Administrator 1 should tell the FCC auditors that IES had agreed to pay its Undiscounted Share, but that it did not currently have the money, and that it nevertheless intended to pay. ANGELIDES further suggested to IES Administrator 1 and IES Administrator 2 that they should tell the auditors that they had received invoices from C2I for IES's share, but that, because of the "events of September 11," (i.e., the terrorists attacks on September 11, 2001), the school did not have the money right now. ANGELIDES stated that they should "use 9/11 as a wedge" because the auditors would "understand, because" IES is "Islamic."

b. ANGELIDES repeated assured IES Administrator 1 and IES Administrator 2 that C2I was "not going to make you pay, we're not going to make that demand." ANGELIDES acknowledged that the

invoices that were submitted to IES in October 2002 were backdated to 2001, and solely for presentation to the FCC auditors. In addition, ANGELIDES characterized a written document entitled "Proposed Payment Schedule" -- a document which Angelides also gave to IES and asked IES to show to the auditors -- as "just a facade." ~~ALVAREZ repeatedly expressed agreement with these representations and characterizations.~~

c. IES Administrator 2 stated that he/she was contemplating showing to the FCC auditors the January 18, 2000, letter (i.e., the letter stating there would be "absolutely no cost to the school"), and ANGELIDES urged him/her not to do so. Administrator 2 asked if it was alright if IES Administrator 2 told the SLD that C2I made a "contribution" to IES to cover the 10%, and both ANGELIDES and ALVAREZ responded that he/she should not do that. ANGELIDES said "no, that's going to kill everyone." ALVAREZ agreed, emphasizing that such an arrangement was "illegal." ANGELIDES told the IES administrators that C2I had provided letters similar to the January 18, 2000, letter (promising those schools that they would not have to pay their Undiscounted Shares) to four schools, including Al Noor and CSFS.

d. Both ANGELIDES and ALVAREZ acknowledged various ways in which C2I had overcharged the Government for services provided to IES, including installing more wiring than necessary and failing to inform the SLD when inexpensive equipment was substituted for expensive equipment (such as the substitution of two Dell computer servers with a value of approximately \$10,000 each for Sun servers with a value of approximately \$30,000 each).

(56) On or about October 9, 2002, acting on my instructions, IES Administrator 2 telephoned JOHN ANGELIDES, the defendant. During the the tape-recorded conversation that followed:

(a) ANGELIDES "highly recommended" that IES Administrator 2 not show the January 18, 2000, letter to the government, and added that, if they did show it, it was "going to get us all into trouble - we're all going to be in a pickle."

(b) ANGELIDES acknowledged that he signed the January 18, 2000 letter, but claimed that he did so "reluctantly" and only after GARY BLUM, the defendant, had made that offer to IES. ANGELIDES stated that BLUM had made this type of arrangement with "most" of the schools that C2I worked with, noting that C2I had promised not to charge any money to 16 out of 24 schools for which C2I received E-Rate funding in Funding Year Three.

57. On or about October 10, 2002, acting on my instructions, IES Administrator 1 and IES Administrator 2 telephoned JOHN ANGELIDES, the defendant. In the conversation that followed, ANGELIDES repeated many of statements made in earlier conversations and strongly urged the IES administrators to lie to the FCC auditors and conceal information from them. ANGELIDES explained that it was one thing for IES Administrator 2 to tell the auditors that IES did not have the money to pay C2I, but a different thing to say IES "colluded" with C2I beforehand to violate E-Rate's rules. ANGELIDES stated that "collusion" "violates their [i.e., SLD's] basic rules" "as spelled out clearly" in the SLD's website. ANGELIDES also said that, if the IES administrators told the SLD there was an initial arrangement for the school not to pay, the school "could lose the equipment," and the SLD would punish the school and the vendor.

58. On or about October 17, 2002, acting on my instructions, IES Administrator 1 telephoned JOHN ANGELIDES, the defendant. In the tape-recorded conversation that followed, ANGELIDES stated that he was "concerned" about the January 18, 2000 letter. ANGELIDES stated that he had found a copy of the letter in his files, but he asked IES Administrator 1 to send a copy of the letter so ANGELIDES could see if both copies were the same.

SAINT JOHN'S LUTHERAN SCHOOL

59. According to USAC and SLD records:

a. Saint John's Lutheran School ("SJLS"), located in Glendale, New York, participated in the E-Rate Program using C2I as its E-Rate vendor.

b. SJLS participated in the E-Rate Program with a 40% discount rate.

c. For Funding Year 3 of the E-Rate Program, C2I applied for a total of approximately \$207,109 in E-Rate funds for goods and services to be provided to SJLS. SJLS did not receive approval for all the funding sought, but received approval for a less extensive funding package, in the amount of approximately \$13,608. This amount purported to be 60% of the total price to be charged to SJLS for E-Rate eligible goods and services. The full amount of \$13,608 was paid to C2I by USAC.

60. I have interviewed an administrator of SJLS ("SJLS Administrator 1"), who advised me of the following, in substance and in part:

a. C2I representatives told SJLS Administrator 1 that, if SJLS retained C2I to be its vendor for the E-Rate Program, the School could obtain internet-related services and equipment at no cost to the school. Specifically, the C2I representatives promised that the school would not be responsible for paying the Undiscounted Share (i.e., in the case of SJLS, its 40% portion), and that C2I would find outside "grants" to cover the School's share.

b. SJLS Administrator 1 repeatedly advised JOHN ANGELIDES, the defendant, that SJLS could not afford to pay the Undiscounted Share of C2I's E-Rate proposals. In response, ANGELIDES sent a letter that confirmed that SJLS would not have to pay anything to participate in the program.

c. C2I never sent any invoices to SJLS for its Undiscounted Portion, and SJLS never paid any money to C2I for equipment and services received in Funding Year 3 of the E-Rate Program.

d. Sometime later, JOHN ANGELIDES, the defendant, asked SJLS Administrator 1 to write a check to C2I on behalf of SJLS for \$9,072. SJLS Administrator 1 told ANGELIDES that SJLS could not afford to make such a payment to C2I, and that the school did not have enough money in its checking account to cover the amount of the check ANGELIDES asked for. ANGELIDES told SJLS Administrator 1 that he had no intention of cashing or depositing the check, and instructed SJLS Administrator 1 to hand the check to a C2I employee designated by ANGELIDES, who would stamp it. ANGELIDES told SJLS Administrator 1 to then make a photocopy of the check, which ANGELIDES stated he simply wanted to keep in his files. On ANGELIDES's instructions, SJLS Administrator 1 wrote the check, which was stamped by a C2I employee. Then, SJLS Administrator 1 gave a photocopy of the check to the C2I employee. According to SJLS Administrator 1, the check itself never left the school, and was never cashed or deposited.

61. SJLS gave me a copy of an agreement, dated January 18, 2000, between C2I and SJLS. The agreement is in the form of a letter from JOHN ANGELIDES, the defendant, to SJLS Administrator 1, and is signed by both individuals. The agreement states, in relevant part: "It is our understanding that St. John Lutheran School will not be responsible for any cost in the proposal made to St. John Lutheran School by Connect2. It is also our agreement that St. John Lutheran School will receive an outside grant to subsidize the school's portion of the project. Therefore, it is our agreement that in accepting the Connect2 proposal, there is absolutely no cost to the school."

62. SJLS also gave me a copy of a check in the amount of \$9,072, from SJLS to C2I, dated October 19, 2001. The check is signed by SJLS Administrator 1. The back of the check contains the stamped notation "For Deposit Only" and the number of an account.

63. I have reviewed a fax dated October 22, 2001, from JOHN ANGELIDES, the defendant, in Staten Island, New York, to an SLD analyst in New Jersey. The fax cover sheet is entitled "ST. JOHN LUTHERAN SCHOOL," and bears the notation: "Enclosing Invoice, Check and certification for schools proportionate amount as requested." GARY BLUM and OSCAR ALVAREZ, the defendants, are identified as having received "CC" copies of the fax. Transmitted with the fax cover sheet are copies of the following documents, among others: (a) the check in the amount of \$9,072, dated October 19, 2001, from SJLS to C2I; and (b) a purported invoice, dated June 11, 2001, from C2I to SJLS for approximately \$9,072, purporting to be regarding "the Schools proportionate amount due to Connect2 for E-Rate service from July 1, 2000 thru June 30, 2001."

CONNECT 2 DID NOT SEEK OR OBTAIN OUTSIDE FUNDING

64. I have spoken to a former employee of C2I ("Insider 1") who told me, in substance and in part, the following:

a. JOHN ANGELIDES, the defendant, regularly instructed C2I's sales force to explain in their sales pitch to schools that C2I would find "outside funding" to cover the Schools' Undiscounted Shares. ANGELIDES claimed to Insider 1 that C2I had a "kitty" of such grant monies donated by "corporations" intended to cover schools' Undiscounted Share.

b. C2I never employed anyone who was designated to fill out the voluminous paperwork that would have been required to obtain grants of that sort. In his/her entire time working at C2I, Insider 1 never saw any grant application materials (other than a few blank forms and some informational material Insider 1 gathered on his/her own), and he/she never heard of any specific grants being sought or being obtained for schools. Insider 1 also informed me that he/she was aware of no system in place at C2I for earmarking or otherwise setting aside funds in the alleged "kitty" to cover particular schools' Undiscounted Share.

65. None of the school administrators with whom I spoke was aware of any school receiving any grant to cover the school's Undiscounted Share of its E-Rate Program participation (except in the case of Children's Store Front School, where, as described above, the administrators from that school were led to believe, falsely, that the Gilder Foundation would supply a grant). Nor did

C2I ever request that the school submit any grant application paperwork for such grants, nor that those administrators meet with any potential donors.

CONNECT 2 INTERNET'S OBSTRUCTION OF THE GRAND JURY

66. On or about December 4, 2001, I served C2I with a Grand Jury Subpoena Duces Tecum, issued in the Southern District of New York, requiring the production of "any and all records pertaining to Connect 2 Internet's affiliation with the "E-Rate" Program, including but not limited to contractual agreements with all schools, accounts payable/receivable records and any and all information regarding donations/contributions made to the Islamic Society of Bay Ridge." The return date for that subpoena was December 6, 2001. Nevertheless, by agreement between C2I's counsel and government counsel, the return date for full compliance with the subpoena was extended several times.

67. On June 6, 2002, C2I, via counsel, produced a final set of documents. The cover letter, which is addressed to me, states: "Based on upon (sic) the assurances of our client, you are now in possession of the complete universe of documents responsive to the subpoena for Connect2's participation in Years 3, 4 and 5 of the E-Rate Program." The letter was delivered "by hand," and indicated that it had been "cc'd" to JOHN ANGELIDES, the defendant, via facsimile.

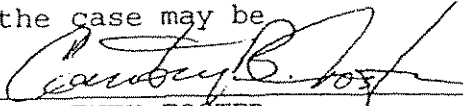
68. I have reviewed the materials produced by C2I in response to the Grand Jury, and found that numerous incriminating documents were not included in that production, despite the representations made by C2I's counsel that all the materials were produced. Moreover, based on the particular documents not produced, I believe these documents were withheld strategically, in an intentional and willful attempt to obstruct the Grand Jury investigation and to delay and defeat the due administration of justice. Specifically, although the evidence described above establishes that C2I agreed with virtually every school to which it provided E-Rate eligible services that the school would not have to

pay its Undiscounted Share, the documents and materials evidencing those improper agreements were not produced. Among the documents that were not produced are the following:

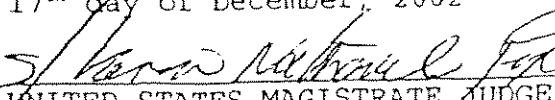
Date	Description	Related School	Cplt. ¶
1/11/2000	Letter from St. Rocco Victoria School to C2I, countersigned by JOHN ANGELIDES stating, <u>inter alia</u> , "in accepting the [C2I] proposal there is absolutely no cost to the school."	Saint Rocco Victoria School	29
1/14/2000	letter from AHRC to JOHN ANGELIDES, stating, <u>inter alia</u> , "AHRC is absolved from any costs associated with the E-Rate proposal, (specifically, the 10% school costs)."	Association for the Help of Retarded Children	43
1/12/2001	Letter from GARY BLUM to Association for the Help of Retarded Children, stating, <u>inter alia</u> , "AHRC will have no liabilities for this portion of the costs."	Association for the Help of Retarded Children	44

1/18/2000	Letter signed by JOHN ANGELIDES and initialed by GARY BLUM from C2I to Islamic Elementary School, stating, <u>inter alia</u> , "It is our agreement that Islamic Elementary School will not be responsible for any cost in the proposal made to Islamic Elementary School by Connect2. . . . In accepting the Connect2 proposal, there is absolutely no cost to the school."	Islamic Elementary School	51
1/18/2000	Letter signed by JOHN ANGELIDES from C2I to St. John Lutheran School, stating, <u>inter alia</u> , "It is our understanding that St. John Lutheran School will not be responsible for any cost in the proposal made to St. John Lutheran School by Connect2. . . . It is our understanding that in accepting the Connect2 proposal, there is absolutely no cost to the school."	St. John Lutheran School	61

WHEREFORE, deponent prays that a warrant be issued for the arrest of the above-named defendants, and that they be arrested and imprisoned, or bailed, as the case may be


 COURTNEY FOSTER
 FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this
 17th day of December, 2002


 UNITED STATES MAGISTRATE JUDGE
 SOUTHERN DISTRICT OF NEW YORK

KEVIN NATHANIEL FOX
 United States Magistrate Judge
 Southern District of New York

EXHIBIT 3

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - - x

UNITED STATES OF AMERICA :

- v. - :

JOHN ANGELIDES, :

Defendant. :

- - - - - x

INFORMATION

03 Cr.

COUNT ONE

(Fraud, False Claims and False Statements Conspiracy)

The United States Attorney charges:

The E-Rate Program

1. In or about 1998, the Federal government implemented a program to provide subsidies to schools and libraries in financial need for use in the purchase and installation of internet access and telecommunications services as well as internal computer and communication networks (the "E-Rate Program"). The program is administered under contract with the Government by a private, not-for-profit company called the Universal Service Administration Company ("USAC"), and a subdivision of USAC called the "Schools and Libraries Division" ("SLD"). The Federal Communications Commission ("FCC") oversees and regulates USAC and SLD.

2. One of the principal objectives of the E-Rate Program is to encourage economically disadvantaged schools to create and upgrade their internet and communications

infrastructure, and to provide their students with access to the internet as a learning tool. To further this objective, the Federal government has, since the inception of the program, offered to pay a large portion of the cost of each participant school's infrastructure enhancements, where such schools meet the E-Rate Program's eligibility requirements.

3. One of the E-Rate Program's core eligibility requirements is that each applicant school pay some percentage of the cost of the infrastructure enhancement. The percentage that the applicable school must pay ranges from 10% to 80%, depending on particular characteristics related to the neediness of each applicant institution (hereinafter, the school's "Undiscounted Share"). The Government pays the balance of that cost, which ranges from as low as 20% to as high as 90%. Among the reasons why the applicant schools are required to pay a portion of the costs are: (i) to ensure that schools have a financial incentive to negotiate for the most favorable prices, so that the government's spending under the program is not wasteful; and (ii) to ensure that schools only purchase infrastructure and equipment that they truly need.

Connect 2 Internet and the Defendants

4. At all times relevant to this Information, Connect 2 Internet Networks, Inc. ("Connect 2") was a vendor of internet and communications infrastructure and related services.

5. At all times relevant to this Information, JOHN ANGELIDES, the defendant, was the owner and principal officer of Connect 2.

6. A number of schools in the New York City and New Jersey area have applied for and received funding from the E-Rate Program to establish, enhance and/or upgrade those schools' internet infrastructure, using Connect 2 as their vendor for internet related services and equipment. Specifically, in the period from approximately July 1998 to the present, Connect 2 was the vendor of goods and services for more than 200 schools participating in the E-Rate Program. Most of these schools purported to participate at a 90% discount rate (i.e., the discount rate associated with the most financially disadvantaged schools), and consequently, under the rules of the E-Rate Program, those schools were obligated to pay 10% of the cost of goods and services, and Connect 2 sought payment from the Government for the purportedly remaining 90%.

Overview of the Fraudulent Scheme

7. JOHN ANGELIDES, the defendant, and co-conspirators not named as defendants herein, devised and carried out a scheme to obtain E-Rate funds for goods and services that Connect 2 provided to various schools on the false pretense that the schools would pay or had paid their Undiscounted Share of the costs of those goods and services. In fact, ANGELIDES and Connect 2 charged the schools

nothing for these goods and services, and assured the schools that they would never have to pay for the goods and services. In this way, ANGELIDES and Connect 2 were able to sell E-Rate eligible goods and services to schools across the New York City area with little or no control on the price they charged, and impose the entire cost on the Government.

8. Among the schools through which JOHN ANGELIDES, the defendant, perpetrated this fraudulent scheme were: the Al Noor School, located in Brooklyn, New York; the Saint Rocco Victoria School, located in Newark, New Jersey; the Children's Store Front School, located in Manhattan, New York; schools operated at various times in Brooklyn, the Bronx and Manhattan by the Association for the Help of Retarded Children; the Islamic Elementary School, located in Queens, New York; the Saint John's Lutheran School, located in Glendale, New York; and the Annunciation School, located in the Bronx, New York (collectively, hereinafter, the "Schools").

9. JOHN ANGELIDES, the defendant, and his co-conspirators induced the Schools to participate in the scheme and to hire Connect 2 as their E-Rate Vendor. ANGELIDES also deceived the Government into believing that the Schools had paid their Undiscounted Share by, among other things:

(a) falsely representing to school administrators that the Schools' Undiscounted Share would be covered by "outside

grants" or "outside sources of funding" donated to Connect 2 for that purpose;

(b) asking the Schools to write checks payable to Connect 2 and agreeing not to cash the checks;

(c) asking the Schools to write checks payable to Connect 2 and agreeing to return the money in cash or by check payable to the Schools or their designees;

(d) creating back-dated invoices and other phony billing documents to give the false appearance that Connect 2 billed the Schools for their Undiscounted Share;

(e) concealing communications in which the defendants assured the Schools that they would not have to pay for any of the goods and services being supplied by Connect 2; and

(f) providing school administrators with false and misleading documents designed to conceal the scheme and enable Connect 2 to collect more money from the E-Rate Program.

The Conspiracy

10. From at least in or about the Fall of 1999, through at least in or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly did combine, conspire, confederate and agree together and with each other to violate the laws of the United States, to wit, Title 18, United States Code, Sections 287, 1001, and 1343.

The Objects of the Conspiracy

11. It was a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, would and did transmit and cause to be transmitted by means of wire, radio and television communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds for the purpose of executing such a scheme and artifice and attempting so to do, in violation of Title 18, United States Code, Section 1343.

12. It was further a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly, made and presented to persons and officers in the civil service of the United States and to departments and agencies thereof, claims upon and against the United States and departments and agencies thereof, knowing such claims to be false, fictitious and fraudulent, in violation of Title 18, United States Code, Section 287.

13. It was further a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, in a matter within the jurisdiction of the executive and legislative branches of the Government of the United States,

d. JOHN ANGELIDES, the defendant, and his co-conspirators created back-dated invoices and other phony billing documents to give the false appearance that Connect 2 had billed the Schools for their Undiscounted Share;

e. JOHN ANGELIDES, the defendant, and his co-conspirators concealed communications in which they assured the Schools that they would not have to pay for any of the goods and services being supplied by Connect 2; and

f. JOHN ANGELIDES, the defendant, and his co-conspirators attempted to persuade school administrators to lie to government investigators and give them false and misleading documents, in order to conceal the scheme and enable the defendants to collect more money from the E-Rate Program.

Overt Acts

15. In furtherance of said conspiracy and to effect the illegal objects thereof, JOHN ANGELIDES, the defendant, and others known and unknown, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. On or about January 13, 2000, JOHN ANGELIDES, the defendant, sent a letter he signed on behalf of Connect 2 by fax communication from Staten Island, New York, to the St. Rocco Victoria School in Newark, New Jersey, stating that the School could participate in the E-Rate Program with "absolutely no cost to the school."

b. In or about January 2000, in New York, New York, JOHN ANGELIDES, the defendant, told an employee of the Association for the Help of Retarded Children that the Association could participate in the E-Rate Program and incur no cost.

c. On or about January 18, 2000, JOHN ANGELIDES, the defendant, signed a letter on behalf of Connect 2 stating to the St. John Lutheran School in Queens, New York, that it could participate in the E-Rate Program with "absolutely no cost to the school."

d. On or about January 18, 2000, JOHN ANGELIDES, the defendant, signed a letter on behalf of Connect 2 advising the Islamic Elementary School in Queens, New York, that it could participate in the E-Rate Program with "absolutely no cost to the school."

e. On or about July 30, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that ANGELIDES and Connect 2 were acting in compliance with the rules and regulations of the E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

f. On or about August 30, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey,

that falsely represented that ANGELIDES and his company, Connect 2, were acting in compliance with the rules and regulations of the E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

g. On or about October 10, 2001, JOHN ANGELIDES, the defendant, received approximately \$54,999 from a co-conspirator not named as a defendant herein, as part of a "check exchange" perpetrated to create the misimpression that Connect 2 was acting in compliance with the rules and regulations of the E-Rate Program.

h. On or about November 21, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that Connect 2 was acting in compliance with the rules and regulations of the E-Rate Program, and enclosed false, incomplete and misleading documentation to support that false representation.

(Title 18. United States Code, Section 371.)

FORFEITURE ALLEGATION

16. As the result of committing the offense of conspiracy to commit wire fraud, in violation of Title 18, United States Code, Section 371 as alleged in Count One of this Information, JOHN ANGELIDES, the defendant, shall forfeit to the United States pursuant to Title 18, United States Code, Sections 981(a)(1)(C), 1956(c)(7) and 1961(1), and Title 28, United States

Code, Section 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of this offense, including, but not limited to the following:

a. A sum of money equal to approximately \$290,000 in United States currency, representing the amount of proceeds obtained as a result of the offense.

Substitute Assets Provision

b. If any of the property described above as being subject to forfeiture, as a result of any act or omission of any of the defendant --

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to, or deposited with, a third party;

(3) has been placed beyond the jurisdiction of the court;

(4) has been substantially diminished in value; or

(5) has been commingled with other property which cannot be divided without difficulty;

it is the intention of the United States, pursuant to Title 21,

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

- v -

JOHN ANGELIDES,

Defendant.

INFORMATION

03 Cr.

(Title 18 U.S.C. § 371)

JAMES B. COMEY
United States Attorney.

EXHIBIT 4



United States Attorney
Southern District of New York

The Silvia J. Mollo Building
One Saint Andrew's Plaza
New York, New York 10007

RECEIVED

MAY 28 2003

May 8, 2003

COHEN & GRESSER LLP

Ira Lee Sorkin, Esq.
Carter Ledyard & Milburn LLP
2 Wall Street, 17th Floor
New York, New York 10005

Re: United States v. John Angelides, et al., 03 Cr. __ ()

Dear Mr. Sorkin:

On the understandings specified below, the Office of the United States Attorney for the Southern District of New York ("this Office") will accept a guilty plea from John Angelides ("the defendant") to Count One of the above-referenced Information. Count One charges the defendant with conspiracy to commit wire fraud, to submit false claims and to make false statements, in violation of Title 18, United States Code, Section 371. Count One carries a maximum sentence of 5 years' imprisonment, a maximum fine or the greater of \$250,000 or, pursuant to Title 18, United States Code, Section 3571, twice the gross pecuniary gain derived from the offense, or twice the gross pecuniary loss to persons other than the defendant resulting from the offense, a \$100 special assessment, and a maximum term of 3 years' supervised release. In addition to the foregoing, the Court must order restitution in accordance with Sections 3663, 3663A and 3664 of Title 18, United States Code.

In addition, as part of his plea, the defendant shall admit to the Forfeiture Allegation in the Information and shall agree to forfeit to the United States, pursuant to Title 18, United States Code, Section 982, a sum of money equal to \$290,000, representing the approximate amount of proceeds obtained as a result of the offense charged in Count One of the Information (the "Subject Property"). It is further understood that, in the event that the United States files a civil action pursuant to Title 18, United States Code, Section 981 seeking to forfeit the Subject Property, the defendant will not file a claim with the Court or otherwise contest such a civil forfeiture action and will not assist a third party in asserting any claim to the Subject Property. It

Ira Lee Sorkin
May 8, 2003

is further understood that the defendant will not file or assist anyone in filing a petition for remission or mitigation with the Department of Justice concerning the Subject Property.

In consideration of his plea to the above offenses, neither the defendant nor Connect 2 Internet Networks, Inc., will be further prosecuted criminally by this Office (except for criminal tax violations as to which this Office cannot, and does not, make any agreement) for participating, from in or about the Fall 1999 through in or about October 2002, in a scheme to defraud the Federal Government's E-Rate school and library funding program through the submission of false, fraudulent and misleading claims and statements, as charged in the Information. In addition, at the time of sentencing, the Government will move to dismiss any open Count(s) against the defendant. The defendant agrees that with respect to any and all dismissed charges he is not a "prevailing party" within the meaning of the "Hyde Amendment," Section 617, P.L. 105-119 (Nov. 26, 1997), and will not file any claim under that law.

In consideration of the foregoing and pursuant to Sentencing Guidelines Section 6B1.4, the parties hereby stipulate to the following:

A. Offense Level

1. The Sentencing Guidelines applicable are those in effect as of November 1, 2001.
2. The Guideline applicable to a violation of Title 18, United States Code § 371 is U.S.S.G. § 2X1.1.
3. Pursuant to U.S.S.G. § 2X1.1(a), the base offense level is the base offense level from the Guideline for the substantive offense, plus any adjustments from such Guideline for any intended offense conduct that can be established with reasonable certainty. Because the defendant completed all the acts he believed necessary for the successful completion of the substantive offense, the offense level is not decreased under U.S.S.G. § 2X1.1(b)(2).
4. The substantive offenses are wire fraud, false claims and false statements, in violation of Title 18, United States Code, Sections 1343, 287 and 1001, respectively. The Guideline for each of those offenses is U.S.S.G. § 2B1.1.
5. Pursuant to U.S.S.G. § 2B1.1, the base offense level is 6.
6. Because the loss amount exceeded \$200,000 but was not more than \$400,000, the offense level is increased 12 levels, pursuant to U.S.S.G. § 2B1.1(b)(1)(G).
7. Assuming the defendant clearly demonstrates acceptance of responsibility, to the satisfaction of the Government, through his allocution and subsequent conduct prior to the

Ira Lee Sorkin
May 8, 2003

imposition of sentence, a 2-level reduction will be warranted, pursuant to U.S.S.G. § 3E1.1(a). Furthermore, assuming the defendant has accepted responsibility as described in the previous sentence, an additional 1-level reduction is warranted, pursuant to U.S.S.G. § 3E1.1(b), because the defendant gave timely notice of his intention to enter a plea of guilty, thereby permitting the Government to avoid preparing for trial and permitting the Court to allocate its resources efficiently.

In accordance with the above, the applicable Guidelines offense level is 15.

B. Criminal History Category

Based upon the information now available to this Office (including representations by the defense), the defendant has no criminal history points, and accordingly, the defendant's Criminal History Category is I.

C. Sentencing Range

Based upon the calculations set forth above, the defendant's stipulated sentencing Guidelines range is 18 to 24 months (the "Stipulated Sentencing Range"). In addition, after determining the defendant's ability to pay, the Court may impose a fine pursuant to § 5E1.2. At Guidelines level 15, the applicable fine range is \$4,000 to \$40,000.

D. Other Agreements

The defendant reserves the right to move for a downward departure from the Stipulated Sentencing Range of 18 to 24 months on the basis of "aberrant behavior" pursuant to U.S.S.G. § 5K2.20. The Government reserves the right to oppose that motion. Other than as set forth above, neither party will seek any departure or seek any adjustment not set forth herein. Nor, other than as set forth above, will either party suggest that the Probation Department consider such a departure or adjustment, or suggest that the Court sua sponte consider such a departure or adjustment.

Except as provided in any written Proffer Agreement(s) that may have been entered into between this Office and the defendant, nothing in this agreement limits the right of the parties (i) to present to the Probation Department or the Court any facts relevant to sentencing; (ii) to make any arguments regarding where within the Stipulated Sentencing Range set forth above (or such other range as the Court may determine) the defendant should be sentenced; (iii) to seek an appropriately adjusted Sentencing range if it is determined based upon new information that the defendant's criminal history category is different from that set forth above. Nothing in this agreement limits the right of the Government to seek denial of the adjustment for acceptance of responsibility, see U.S.S.G. § 3E1.1, and/or imposition of an adjustment for obstruction of

Ira Lee Sorkin
May 8, 2003

justice, see U.S.S.G. § 3C1.1, regardless of any stipulation set forth above, should the defendant move to withdraw his guilty plea once it is entered, or should it be determined that the defendant has either (i) engaged in conduct, unknown to the Government at the time of the signing of this Agreement, that constitutes obstruction of justice or (ii) committed another crime after signing this agreement.

It is understood that pursuant to Sentencing Guidelines § 6B1.4(d), neither the Probation Department nor the Court is bound by the above Guidelines stipulation, either as to questions of fact or as to the determination of the proper Guidelines to apply to the facts. In the event that the Probation Department or the Court contemplates any Guidelines adjustments, departures, or calculations different from those stipulated to above, the parties reserve the right to answer any inquiries and to make all appropriate arguments concerning the same.

It is understood that the sentence to be imposed upon the defendant is determined solely by the Court. This Office cannot, and does not, make any promise or representation as to what sentence the defendant will receive. Moreover, it is understood that the defendant will have no right to withdraw his plea of guilty should the sentence imposed by the Court be outside the Stipulated Sentencing Range set forth above.

It is further agreed (i) that the defendant will not file a direct appeal, nor litigate under Title 28, United States Code, Section 2255 and/or Section 2241, any sentence within or below the Stipulated Sentencing Range (18 to 24 months) set forth above and (ii) that the Government will not appeal any sentence within or above the Stipulated Sentencing Range (18 to 24 months). This provision is binding on the parties even if the Court employs a Guidelines analysis different from that stipulated to herein. Furthermore, it is agreed that any appeal as to the defendant's sentence that is not foreclosed by this provision will be limited to that portion of the sentencing calculation that is inconsistent with (or not addressed by) the above stipulation.

The defendant hereby acknowledges that he has accepted this Agreement and decided to plead guilty because he is in fact guilty. By entering this plea of guilty, the defendant waives any and all right to withdraw his plea or to attack his conviction, either on direct appeal or collaterally, on the ground that the Government has failed to produce any discovery material, Jencks Act material, exculpatory material pursuant to Brady v. Maryland, 373 U.S. 83 (1963), other than information establishing the factual innocence of the defendant, and impeachment material pursuant to Giglio v. United States, 405 U.S. 150 (1972), that has not already been produced as of the date of the signing of this Agreement.

It is further agreed that should the convictions following defendant's pleas of guilty pursuant to this Agreement be vacated for any reason, then any prosecution that is not time-barred by the applicable statute of limitations on the date of the signing of this agreement (including any counts that the Government has agreed to dismiss at sentencing pursuant to this Agreement) may be

Ira Lee Sorkin
May 8, 2003

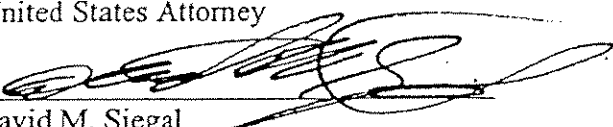
commenced or reinstated against defendant, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement or reinstatement of such prosecution. It is the intent of this Agreement to waive all defenses based on the statute of limitations with respect to any prosecution that is not time-barred on the date that this Agreement is signed.

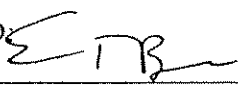
It is further understood that this Agreement does not bind any federal, state, or local prosecuting authority other than this Office.

Apart from any written Proffer Agreement(s) that may have been entered into between this Office and defendant, this Agreement supersedes any prior understandings, promises, or conditions between this Office and defendant. No additional understandings, promises, or conditions have been entered into other than those set forth in this Agreement, and none will be entered into unless in writing and signed by all parties.

Very truly yours,

JAMES B. COMEY
United States Attorney

By: 
David M. Siegal
Assistant United States Attorney
(212) 637-2281

APPROVED: 
Evan T. Barr
Chief, Major Crimes Unit

AGREED AND CONSENTED TO:

 5/22/03
John Angelides DATE

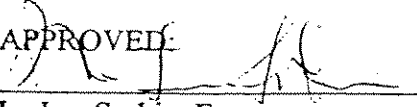
APPROVED:  5.22.03
Ira Lee Sorkin, Esq. DATE
Attorney for John Angelides

EXHIBIT 5

CARTER LEDYARD & MILBURN LLP

Counselors at Law

Timothy J. Fitzgibbon
Partner

Direct Dial: 202-623-5705
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2 Wall Street
New York, NY 10005-2072
(212) 732-3200

570 Lexington Avenue
New York, NY 10022
(212) 371-2720

(File Room Copy) File: CON51 001

May 12, 2005

VIA EXPRESS MAIL

Universal Service Administrative Company
Schools and Libraries Division
Box 125 -- Program Compliance II
80 S. Jefferson Road
Whippany, N.J. 07981

Re: CC Docket No. 02-6
APPEAL of Demand Payment Letter - Second Request
Cathedral School
Connect2 Internet Networks, Inc.
Billed Entity Number 9977
471 Application Number 191068
Funding Request Number 405672

Dear Schools and Libraries Division:

Connect2 Internet Networks, Inc. ("Connect2"), by counsel, hereby responds to and appeals from the "Demand Payment Letter - Second Request" issued by the Universal Service Administrative Company ("USAC"), dated April 15, 2005, regarding Cathedral School ("USAC Demand Letter"). The USAC Demand Letter demands payment by Connect2 to USAC of \$104,905.30 in funds previously disbursed to Connect2 by the Schools and Libraries Division ("SLD") during Funding Year 2000 in connection with the above-referenced Application and Funding Request Number ("FRN"). Because the Application and FRN are the subjects of a pending request for review before the Federal Communications Commission ("Commission") filed by Connect2 on December 27, 2004, and USAC has not been authorized by the Commission to issue payment demands while such appeals are pending, the USAC Demand Letter is beyond the scope of USAC's authority.

The USAC Demand Letter does not contend that Connect2 failed to spend the monies that USAC seeks to recover for their intended purpose -- to provide telecommunications equipment and services to Cathedral School. Rather, USAC is demanding that Connect2 repay \$104,905.30 in funds disbursed to Connect2 and used to provide equipment and service to Cathedral School solely because the school failed to pay its share of the non-discounted costs of the equipment and services. See USAC Demand Letter at 5 (Connect2 "has only collected

\$15,790.00 of the required applicant portion of \$27,445.00 or 57.53% of the applicant share.”) Thus, based on Connect2’s alleged failure to collect \$11,655 owed by the school, USAC now demands repayment by Connect2 of nearly 10 times that amount.

Connect2 already has an appeal pending before the FCC concerning this application and FRN at Cathedral School. The Connect2 appeal is the subject of a Public Notice issued January 21, 2005 by the Commission’s Wireline Competition Bureau, seeking public comment on the issues raised in the Connect2 petition and similar petitions filed by Connect2 with respect to USAC commitment adjustment and repayment demand letters relating to other schools. See Public Notice, DA 05-146 (rel. Jan. 21, 2005). The comment period established in the Public Notice expired on March 9, 2005, but Connect2’s requests for review remain pending before the Commission.

Connect2 incorporates herein by reference the arguments raised in its December 27, 2004 request for review concerning the above-referenced funding request for Cathedral. The issues raised by Connect2 with respect to those funding requests have not yet been resolved by the Commission. The Commission repeatedly has stated that USAC’s role is “exclusively administrative” and that it is to apply only “existing decisional principles.” USAC “may not make policy, interpret unclear provisions of the statute or rules or create the equivalent of new guidelines, or interpret the intent of Congress. *Where the Act or the Commission’s rules are unclear, or do not address a particular situation, USAC must seek guidance from the Commission on how to proceed.*” See Changes to the Board of Directors of the National Exchange Carrier Association, Inc., Third Report and Order, (“Schools and Libraries Third R&O”) 13 FCC Rcd. 25058 (1998) at ¶16 (emphasis added).

USAC has acknowledged unequivocally that it currently does not have authority from the Commission to issue demands for payment when an appeal is pending before the Commission:

USAC has sought guidance from the FCC on the following issues related to Commitment Adjustments and Recoveries...1) Whether USAC should issue a demand payment letter when an appeal is pending; 2) approval of revised Commitment Adjustment and Recovery letters and Recovery of Improperly Disbursed Funds letters based on the Fourth and Fifth Reports and Orders; 3) guidance on Standards for the party from whom to seek recovery....**To date, USAC has not received this guidance.**

See, Wireline Competition Bureau Seeks Comment on the Universal Service Administrative Company’s Audit Resolution Plan, Proposed Audit Resolution Plan for Schools and Libraries Support Mechanism Auditees, Public Notice, CC Docket No. 02-6, DA 04-3851 (rel. Nov. 7, 2004) (emphasis added). Because USAC **has not received** guidance from the Commission on this issue, it does not have the authority to proceed with this payment demand while Connect2’s appeals are pending before the Commission. See Schools and Libraries Third R&O, 13 FCC Rcd. 25058 at ¶16.

USAC's current payment demands with respect to Cathedral School and the FRN listed above are particularly troubling in light of the due process and other issues raised by Connect2 in its pending request for review before the Commission. Those due process violations continue in the current USAC Demand Letter. Among other things, that letter:

- (a) claims that Connect 2 has "not responded to the [first] Demand Payment Letter" from USAC -- but Connect2 has no record of receiving such correspondence from USAC (which continues to send correspondence directed to Connect2 to John Angelides despite his debarment from the Schools and Libraries Program well over one year ago and the fact that he continues to undergo treatments for brain cancer);
- (b) claims that the amount demanded by USAC in the letter is an "outstanding debt" owed by Connect2, despite the fact that no such determination has ever been made by the Commission, where Connect2's petitions and appeals regarding the Cathedral School (and others) remain pending;
- (c) claims that the "outstanding debt" set forth in the demand payment letter "was past due and delinquent" as of a date that USAC fails to provide in the USAC Demand Letter; and
- (d) falsely states that "the FCC has determined that the funds are owned to the United States pursuant to the provisions of 31 U.S.C. §3701 and 47 U.S.C. §254," when no such determination has been made by the FCC, where Connect2's appeals regarding the Cathedral School (and others) remain pending.

Moreover, as set forth in Connect2's appeals, all of which have been served upon USAC, the issues relating to its E-Rate activities at Cathedral School already have been referred to the Department of Justice and were the subject of criminal proceedings that resulted in a plea agreement and imposition of a civil forfeiture.

There also is a serious question as to whether USAC has the authority to recover E-Rate funds disbursed at a time when USAC and the Commission were denying that the disbursed funds were public monies. See, e.g., United States Government Accountability Office, Report to the Chairman, Committee on Energy and Commerce, House of Representatives, "Telecommunications: Greater Involvement Needed by FCC in the Management and Oversight of the E-Rate Program," GAO-05-151, Feb. 2005, at 4, 8 n.12, and 13 n.22 (E-Rate program is "administered by a private, not-for-profit corporation that has no contract or memorandum of understanding with the FCC" and that has never been approved by Congress; program funds "are maintained outside of the U.S. Treasury;" and the program "fund does not constitute public money subject to the Miscellaneous Receipts Statute.").

Finally, paragraph 4 of the USAC Demand Letter states that Connect2 has "an opportunity to inspect and copy the invoices and records pertinent to the debt" by notifying USAC in writing. Please consider this notice of Connect2's desire to inspect and copy the relevant records. As Connect2 has stated repeatedly in filings with USAC and the FCC, all of its

records were seized by the FBI in late 2002 and have never been returned. Consequently, Connect2 cannot defend itself against USAC payment demands and other charges without being provided an opportunity to inspect and copy the relevant records. Please advise undersigned counsel as soon as possible regarding when and where the relevant records might be made available for inspection and copying by Connect2.

Connect2 respectfully requests that USAC reconsider and rescind the Demand Payment Letter -- Second Request referenced above (as well as any other payment demand letters issued with respect to schools and funding request numbers that are the subject of any of Connect2's five requests for review currently pending before the Commission) and suspend any collection activity with respect to the above-referenced FRN and Application.

Respectfully submitted,

Timothy J. Fitzgibbon
Counsel for Connect2
Internet Networks, Inc.

TJF:lac

cc: Anthony Dale, Deputy Chief, Wireline Competition Bureau, Federal Communication Commission
Erica Myers, Wireline Competition Bureau, Federal Communications Commission
Vickie Robinson, Wireline Competition Bureau, Federal Communications Commission
Mark Stephens, Wireline Competition Bureau, Federal Communications Commission
Minas Kazepis, Cathedral School

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June 22, 2005

BY EXPRESS MAIL

Universal Service Administrative Company
Schools and Libraries Division
Box 125 -- Program Compliance II
80 S. Jefferson Road
Whippany, N.J. 07981

Re: CC Docket No. 02-6
APPEAL of Demand Payment Letters
Annunciation Elementary School
Connect2 Internet Networks, Inc.
Billed Entity Number 10089
SPIN - 143007419
471 Application Number 105155
Funding Year 1998
Funding Request Numbers 106036 and 106514

Dear Schools and Libraries Division:

Connect2 Internet Networks, Inc. ("Connect2"), by counsel, hereby responds to and appeals from two "Demand Payment Letters" issued by the Universal Service Administrative Company ("USAC"), dated May 24, 2005 ("USAC Demand Letters"), regarding Annunciation Elementary School ("AES"). The USAC Demand Letters demand that Connect2 pay to USAC a total of \$19,828.00 in funds previously disbursed to Connect2 by the Schools and Libraries Division ("SLD") during Funding Year 1998 in connection with the above-referenced Application and Funding Request Numbers ("FRNs"). For the reasons set forth below, Connect2 respectfully requests that USAC rescind the USAC Demand Letters.

First, USAC apparently has not followed its own procedures in issuing the USAC Demand Letters to Connect2. The USAC Demand Letters are part of an administrative process used by the Commission and USAC to seek recovery of funds allegedly disbursed in error by USAC. However, that process involves several steps before issuance of Demand Payment Letters. Here, Connect2 has no record that USAC followed any of those preliminary steps. The USAC Demand Letters state that "You were recently sent a Notification of Improperly

Disbursed Letter [sic] informing you of the need to recover funds from you for the Funding Request Number(s) (FRNs) listed on the Funding Disbursement Report of that Letter." Connect2 has no record of ever receiving any such "Notification of Improperly Disbursed Letter" from USAC with respect to AES. Nor does Connect2 have any record of receiving a Commitment Adjust Letter or a Recovery of Erroneously Disbursed Funds letter from USAC with respect to AES.¹ In fact, Connect2 only recently was provided a copy of an Audit Report prepared by the FCC's Office of Inspector General for AES ("OIG Audit Report"), which apparently provides the basis for the current USAC Demand Letters.² Consequently, Connect2 has been denied the opportunity to contest the basis for the current payment demands by USAC.

This is not the first time that USAC has failed to follow its own procedures in demanding payments from Connect2. Connect2 has had Requests for Review of USAC's decision to recover funds from Connect2 with respect to St. Augustine School on file at the FCC since December 13, 2004. See Requests for Review filed December 13, 2004 (two petitions filed with respect to St. Augustine School). The Commission sought public comment on Connect2's Requests for Review and has not yet issued a decision. Nevertheless, USAC continues to issue demanded payment letters to USAC for St. Augustine School. See Connect2's Appeals of "Demand Payment Letters - Second Requests" with respect to St. Augustine, filed with USAC May 17, 2005. Connect2 also has appeals pending before the FCC of various USAC actions relating to at least 20 other schools for which USAC is seeking to recover from Connect2 funds alleged to have been disbursed in error by USAC. Consolidated Requests for Review for Petitions for Waiver filed December 27, 2004 (3 petitions filed with respect to 11, 9, and 1 schools, respectively); Request for Review filed February 14, 2005 (regarding Childrens Store Front School). Now USAC is demanding payment from Connect2 for AES without ever affording Connect2 the opportunity to appeal USAC's actions to the Commission. In response to, and in appeal of, the USAC Demand Letters, Connect2 incorporates herein by reference the arguments raised in its December 27, 2004 consolidated requests for review which remain pending before the Commission.

Second, the OIG Audit Report for AES indicates that the audit was conducted at AES during the summer of 2004, several years after the 1998 Funding Requests that are the subject of the USAC Demand Letters issued to Connect2. Obviously, there have been many developments at the school during the intervening years which may have affected the audit findings, particularly as they relate to the USAC Demand Letters here. For example, the Audit Report states that when presented with the audit findings and asked to respond to them, the current principal of AES stated that "none of the school management...that was present during

¹ As evidenced by the current USAC Demand Letters, USAC continues to direct correspondence for Connect2 to John Angelides despite the fact that: (a) Mr. Angelides was debarred by the Commission on December 23, 2003; and (b) Connect2 repeatedly has informed both USAC and the Commission that Mr. Angelides is being treated for Stage IV metastasized non-small cell lung cancer which has spread to his brain. See e.g. Connect2's pending requests for review dated December 13 and December 27, 2004 and February 14, 2005, described above.

² Although the OIG Audit Report is dated August 12, 2004, Connect2 was not provided a copy of that report until sometime after April 19, 2005. See Letter dated April 19, 2005 from Cynthia L. Beach, USAC Manager of Audit Response, to Connect2, Attn: John Angelides, transmitting a copy of the OIG Audit Report.

the period under audit is still associated with the school" and that "no files regarding the E-rate applications are available for reference." See OIG Audit Report at 1.

Finally, as Connect2 has stated repeatedly in filings with USAC and the FCC, all of its records were seized by the FBI in late 2002 and have never been returned. Consequently, Connect2 cannot defend itself against USAC payment demands and other charges without being provided an opportunity to inspect and copy the relevant records. For example, one of the USAC Demand Letters seeks repayment of \$8440.00 from Connect2 because: (a) apparently only 19 of 21 hubs could be located in the audit (which was conducted years after the 1998 Funding Request) and the value of the two "missing" hubs is \$1598.00; (b) 17 of the 19 hubs allegedly were 8-port hubs rather than 12-port hubs (resulting in a \$200 difference per hub, or \$3400.00); and (c) funds totaling \$4380 were disbursed for allegedly ineligible memory upgrades. See USAC Demand Payment Letter at 5.³ Connect2 has not been afforded a reasonable opportunity to review and contest these conclusions because: (a) it was never provided a copy of the relevant OIG Audit Report until sometime after April 19, 2005; and (b) its files have been in the custody of the FBI since 2002 and it has had no opportunity to review those files for information to respond to the OIG Audit Report and USAC Demand Letters. Please advise undersigned counsel as soon as possible regarding whether, when and where the relevant records might be made available for inspection and copying by Connect2.

Connect2 respectfully requests that USAC reconsider and rescind the Demand Payment Letters referenced above and suspend any collection activity with respect to the above-referenced FRNs and Application Number.

Respectfully submitted,



Timothy J. Fitzgibbon
Counsel for Connect2
Internet Networks, Inc.

TJF:lac

cc: Anthony Dale, Deputy Chief, Wireline Competition Bureau, Federal Communication Commission
Erica Myers, Wireline Competition Bureau, Federal Communications Commission
Vickie Robinson, Wireline Competition Bureau, Federal Communications Commission
Mark Stephens, Wireline Competition Bureau, Federal Communications Commission
Principal, Annunciation Elementary School

³ The other USAC Demand Payment Letter contends that, based on local exchange telephone bills, Connect2 apparently received \$11,388 for T-1 services that were not delivered to AES until 2000. However, the Audit Report indicates that "the calculation of this amount is too voluminous for inclusion in this report." OIG Audit Report at 5. Without access to the appropriate records, Connect2 has no reasonable opportunity to respond to these claims.

EXHIBIT 6



Universal Service Administrative Company
Schools & Libraries Division

REPAYMENT/OFFSET DEMAND LETTER

June 16, 2004

John Angelides
Connect2 Internet Networks Inc.
26 Bay Street
Staten Island, NY 10301

SPIN: 143007419
Applicant Name AHRC ELEMENTARY SCHOOL AT BROOK
Billed Entity Number: 208871

Dear Service Provider Contact:

You were recently sent a Commitment Adjustment Letter informing you of the need to recover funds for the Funding Request Number(s) (FRNs) listed on the Option Selection Worksheet attached to this letter. The Federal Communications Commission (FCC) by its Order FCC 00-350 (released October 26, 2000) has directed the Universal Service Administrative Company (USAC) to implement the funds recovery process from service providers who received erroneous funding amounts. Listed below are the options available to you to return the total 'Funds to be Recovered' amount as specified on the Commitment Adjustment Letters you have been provided.

You may choose one of three options:

1. Remit to USAC the stated 'Funds to be Recovered' amount, within 30 days of the date of this letter,
2. Offset the stated amount owed to USAC by foregoing disbursement on alternate valid funding commitments or pending funding requests for the same applicant for the same or alternate funding year, or
3. A combination of the above two methods. The sum must equal the required recovery amount.

- If you select the cash payment option (# 1), please make your check payable to: "USAC – Fund Recovery" and remit the full "Funds to be Recovered" amount.
- If you select the offset option (# 2), USAC will offset the first submitted invoices, regardless of the alternate FRNs to which they apply, against the USAC recovery amount. You will be notified that the invoices have been approved and the funds have been credited as an offset. Once the USAC recovery is satisfied, any additional invoices submitted will be processed as normal, subject to remaining availability of funds for each FRN.

• If you select the combination option (#3), please indicate the amount of cash payment and make your check payable to: "USAC – Fund Recovery." The difference between the dollar amount remitted and the total "Funds to be Recovered" amount due to USAC is the remaining amount to be recovered by foregoing disbursement on alternate FRNs after work is completed and invoices are submitted to USAC. The sum of both options must equal the required recovery amount.

If an offset methodology is selected either via Option 2 or 3 above, the following examples may help you understand how USAC will process submitted invoices to ensure accurate and timely recovery of funds. The offset methodology will apply to either Service Provider Invoice Forms (FCC Form 474) or Billed Entity Applicant Reimbursement (BEAR) Forms (FCC Form 472).

Example illustrates processing of invoices that exactly offset the recovery dollar amount:

Adjusted FRN and Recovery Dollar Amount	Alternate FRN and Available Dollar Amounts	Invoices Submitted SPIF or BEAR	USAC Applies to Recovery	USAC Pays
123 \$1,000	124 \$1,500	\$300	\$300	-0-
	125 \$ 800	\$400	\$400	-0-
	126 \$1,200	\$300	\$300	-0-
<u>Total</u> \$1,000	<u> </u> \$3,500	<u> </u> \$1,000	<u> </u> \$1,000	

Example 2 illustrates how invoices can be processed once the FULL amount of the recovery has been obtained:

Adjusted FRN and Recovery Dollar Amount	Alternate FRN and Available Dollar Amounts	Invoices Submitted SPIF or BEAR	USAC Applies to Recovery	USAC Pays
123 \$1,000	124 \$1,500	\$600	\$600	-0-
	125 \$ 800	\$800	\$400	\$ 400
	126 \$1,200	\$1,200	\$0	\$1,200
<u>Total</u> \$1,000	<u> </u> \$3,500	<u> </u> \$2,600	<u> </u> \$1,000	<u> </u> \$1,600

Please review the attachments **complete the Option Selection Worksheet, and return it within 30 days of the date of this letter.** An instruction sheet has been provided as well as a listing of alternate FRNs with valid or pending funding commitments available for offset.

If you have any questions, please call 1-888-203-8100, and ask for the Technical Client Service Bureau. These specially trained staff can assist you with this process.

Universal Service Administration Company
Schools and Libraries Division

Attachments

CC: KATHY PETRUZZI
AHRC ELEMENTARY SCHOOL AT BROOKLYN
477 COURT STREET
BROOKLYN, NY 11231

INSTRUCTIONS FOR:

SERVICE PROVIDER "OPTION SELECTION WORKSHEET"

1. Check Repayment option

- If you are choosing Option 1 or 3

Return **within 30 days of the date of this letter:**

The completed, signed Option Selection Worksheet with
your check to the appropriate address identified below:

If sending by US Mail or major courier service (e.g. Airborne,
Federal Express, and UPS) please send check payments to:

Universal Service Administrative Company
1259 Paysphere Circle
Chicago, IL 60674

If you are located in the Chicago area and use a local messenger
rather than a major courier service, please address and deliver the
package to:

Universal Service Administrative Company
Lockbox 1259
540 West Madison 4th Floor
Chicago, IL 60661

Local messenger service should deliver to the Lockbox Receiving
Window at the above address.

- If you are choosing Option 2:

Return the completed, signed Option Selection Worksheet **within 30 days of the date of this letter to:**

Box 125, Correspondence Unit,
80 South Jefferson Road,
Whippany, New Jersey 07981

2. Indicate the amounts for the recovery option you have chosen.
3. **Sign and date** the Worksheet where indicated.

OPTION SELECTION WORKSHEET

Case Number: OSW- 139

SELECT PAYMENT OPTION AND AMOUNTS FOR RECOVERY:

Applicant Name: AHRC ELEMENTARY SCHOOL AT BROOKLYN
Applicant Address: 477 COURT STREET, BROOKLYN, NY 11231
Billed Entity Number: 208871

ERRONEOUSLY DISBURSED FUNDS:

<u>Funding Year End</u>	<u>471 #</u>	<u>FRN</u>	<u>Funds to be Recovered</u>
06/30 2001	184985	383870	<u>\$305,972.10</u>
Total Funds to be recovered for this applicant:			<u><u>\$305,972.10</u></u>

Check one repayment option and specify dollar amount:

1. ☐ Remit check for total amount
2. ☐ Offset total amount from FRNs
3. ☐ Combination check and offset

TOTAL TO REMIT: \$ _____

TOTAL AMOUNT TO OFFSET: \$ _____

TOTAL AMOUNT OF RECOVERY: \$ _____

(Must equal the total amount to recover stated above)

Signature of Authorized Representative _____
Print Name of Authorized Representative _____
Name of Service Provider _____
Date _____

SCHEDULE OF ALTERNATIVE VALID FRNs AVAILABLE FOR OFFSET

Applicant Name: AHRC ELEMENTARY SCHOOL AT BROOKLYN
Applicant Address: 477 COURT STREET, BROOKLYN, NY 11231
Billed Entity Number: 208871

Other Valid FRNs for this applicant with unpaid dollars available for Offset:

<u>Fund Year End</u>	<u>471 #</u>	<u>FRN</u>	<u>Dollars Potentially Available for Offset</u>
Total Potentially Available for Offset:			\$0.00

NO OFFSETS AVAILABLE.

* The FCC directed in its October 26, 2000, Order that USAC permit service providers to choose as potential offsets pending funding requests that have not yet been featured in a Funding Commitment Decision Letter (FCDL). Therefore, the column 'Dollars Potentially Available for Offset' may include FRNs in the SLD system for which no decision has yet been issued. If so, those pending FRNs are indicated by an asterisk to the right of the requested discount. If, after SLD review is completed, any such request is reduced or denied, the potential offsets would be reduced and if total potential offsets fall below the 'Total Funds to be Recovered' shown above, the service provider will be required to remit payment for any shortfall.

CERTIFICATE OF SERVICE

The undersigned Administrative Assistant of the law firm of Nelson Mullins Riley & Scarborough LLP, attorneys for Connect2 Internet Networks, Inc., hereby certifies that a copy of the "Consolidated Request for Review" was mailed to the following parties via first class mail, postage prepaid, on June 19, 2005:


David Capozzi, Esquire
Acting General Counsel
Universal Service Administrative Company
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

Al-Noor School
675 4th Avenue
Brooklyn, New York 11232

Robert Treat Academy Charter School
443 Clifton Avenue
Newark, New Jersey 07104

AHRC Elementary School at Brooklyn
477 Court Street
Brooklyn, New York 11231

Rice High School
74 West 124th Street
New York, New York 10027


Genet Teferi